



Applicant Minimum Capital Investment

Minimum Capital Investment

The anticipated capital investment budget at Caesars New York is well in excess of the required minimum of \$350 million minimum in Orange County. Costs that can be included in the minimum capital investment calculation total \$546 million or 62% of the total \$880 million capital budget. A summary of the minimum calculation investment can be found in Attachment VIII.A.2.a_A1.

Attachment VIII.A.2.a_A1

REDACTED

Applicant Minimum Capital Investment

Prior Capital Investment

The applicant did not incur any cost prior to the Effective Date of the Act and has not included any investments made prior to the Effective Date of the Act in its minimum capital investment calculation.

Market/Revenue Study

Attached please find a study completed by Pyramid Associates, LLC assessing the size of the potential gaming market for Caesars New York (see Attachment VIII.A.3_A1).

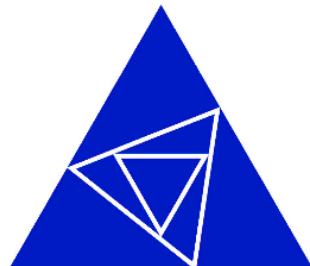
Attachment VIII.A.3 _A1

Caesars New York: Market Feasibility & Impact Analysis

Submitted to:
Woodbury Casino, LLC

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Executive Summary

Pyramid Associates, LLC (“Pyramid”) was commissioned by Woodbury Casino, LLC (“Woodbury”) to provide a market feasibility and impact analysis of the Caesars New York casino proposed in its license application to the New York State Gaming Commission. The commissioned work includes:

- an estimate the potential gaming market for the proposed facility based on a custom designed gravity model that incorporates adult population (age 21+), disposable personal income, and the estimated propensity to gamble within primary (60 minute drive), secondary (61-120 minute drive), and tertiary market areas (121-150 minute drive), including a tourism and out-of-market factor.
- an estimate of annual gross gaming revenues (by slot machines, tables, and other) for the first ten year period of the facility’s operation,
- an estimate of non-gaming revenues (itemized by hotel, food and beverage, retail and entertainment, and other), and gross revenues (gaming + non-gaming revenues) for the first ten years of the facility’s operation,
- annual visitor and visitation counts, specifying the proportion of visits and revenue generated from the primary, secondary, tertiary, and out-of-market areas, including the amount of revenue generated by visitors from states other than New York, and revenue recaptured by residents gambling outside of New York, for the first ten years of the facility’s operation,
- estimates for a high-, average-, and low-case basis,
- estimates based on project and facility specifications provided by the Client,
- a description of all assumptions that are material to the Consultant’s projections and forecasts that substantiate the bases and reasonableness of all such assumptions, for example, by comparing them to the actual performance of comparable facilities in other jurisdictions.

BACKGROUND

On November 5, 2013, the New York’s voters approved an amendment to the state constitution that authorized Las Vegas style commercial casino gaming in New York for the first time. The Upstate New York Gaming and Economic Development Act (Chapters 174 and 175 of the Laws of 2013) outlines the procedure and process for siting destination resort casinos in the State of New York. At the present time, the Act authorizes up to four destination gaming resorts in Upstate New York with at least one facility in each of three regions: Capital, Catskills/Hudson Valley, and Eastern Southern Tier. The proposed destination resort casinos can be entirely new resorts or conversions and expansions of existing race track casinos. The proposed facilities will also retain their geographical exclusivity for at least 7 years after the first gaming license is issued by the New York Gaming



Commission, but after 7 years the state may authorize an additional three casinos, including one in New York City.

The stated purposes of the Upstate New York Gaming and Economic Development Act are to increase total employment in the leisure and hospitality sector, generate net new revenues for state and local governments, and to recapture New York gaming dollars that are currently leaving the state for casinos in Connecticut, Pennsylvania, and New Jersey (New York State Gaming Commission 2014). The New York Gaming Commission issued a formal Request for Applications (RFA) on April 7, 2014 with Applications due by the close of business on June 30, 2014. The applications for a casino license will be reviewed and evaluated by a newly established Resort Gaming Facility Location Board.

METHODOLOGY

The market and impact analyses in this report are based on well-established demand analysis techniques that are commonly utilized for forecasting visits and revenues at casinos in the United States. The analysis and conclusions are derived from a custom designed gravity model that incorporates public secondary data sources for population (U.S. Census), disposable personal income (U.S. Bureau of Economic Analysis), and drive times between different locations (MS MapPoint).

A Master Database consisting of 4,932 communities in New York, Connecticut, Massachusetts, New Jersey, and Pennsylvania was constructed to analyze the gaming market area for the proposed Caesars New York casino and its potential displacement impact on existing gaming facilities. The Master Database includes data by town and city on total population, the adult population (age 21+), per capita income, total income, disposable personal income (DPI), and drive times to each gaming facility in the five states included in the database. Drive times are based on geo-codes for the actual address of each gaming facility. The initial Master Database contains 340,308 discrete data points.

ANALYSIS AND RESULTS

There are 32.8 million adults (age 21+) living in the proposed Caesars New York casino's Designated Market Area (DMA) and these individuals currently have nearly \$1.6 trillion in disposable personal income (DPI).¹ The proposed Caesars New York will be located adjacent to one of the most income rich corridors in the United States, which includes residents of Manhattan and Long Island, southwestern Connecticut, northern New Jersey, and northeastern Pennsylvania. The proposed casino will be strategically located to recapture a significant share of gaming revenue that is currently spent by New York residents in adjacent states, as well as to capture new revenue from the residents of these same states, who will find Caesars New York either more attractive or more convenient than their existing gaming options.

Another significant factor in the proposed Caesars New York's ability to generate net new gaming revenue is that approximately 52 million U.S. and international tourists visited New York City in 2012, with the largest foreign spenders arriving from the United Kingdom, Brazil, Japan, and China

¹ Pyramid Associates, LLC estimates disposable personal income (DPI) for each town and city in the Master Database using a proprietary formula that incorporates U.S. Census data on population, per capita income, and total income.



(Taylor 2012). Many of these leisure and business travelers can be induced to stay at Caesars New York or to make a day trip to the gaming facility during their stay in New York City.

An additional factor contributing to Caesars New York's ability to generate net new revenue from New York's leisure and business travelers is the fact that it will be located near Woodbury Common Premium Outlets. By the time Caesars New York opens in early 2017, Woodbury Common will have 240 stores in 900,000 square feet of retail space, which makes it one of the largest contiguous outlets in the world.² Woodbury Common draws 13 million visitors per year and 40% of these visitors are foreign tourists, who arrive primarily from Japan, China, Brazil, the United Kingdom, and France. The stores in Woodbury Common reported 2012 annual sales of \$1.3 billion and, consequently, the proposed Caesars New York will only need to induce a small percentage of these travelers to visit the casino to significantly enhance its out-of-market revenue generation, while providing a further inducement for leisure travelers to visit Woodbury Common (Rife 2011; Satow 2013).

The gravity model operationalized for the proposed Caesars New York assumes three different, but reasonable ranges for the propensity to gamble and spend per visit to calculate average-, high-, and low-case scenarios for gross gaming revenue, non-gaming revenue, gross revenue, and operating revenue.

Average-Case Scenario

The average case scenario casino projects gross gaming revenue of \$750.7 million in its first stabilized year of operations, which is 2019 (Year 3). Under this same scenario, the gravity model generates a customer base of 2.2 million visitors, 11.1 million annual visits, with an average of 5 visits per year per visitor.

The gravity model indicates that the proposed Caesars New York casino will generate approximately 73% of its gross gaming revenue from within its primary market area (0-60 minutes), although a substantial portion of this revenue (57%) will come from the New York City area and thus constitutes a net gain in economic activity for the local community and county.

Another 27% of the proposed casino's gross gaming revenue will be generated by visitors who travel more than one hour to reach the casino, including out-of-state visitors and foreign visitors from out of market (see Table 7).

It is estimated that the proposed Caesars New York will also generate an additional \$106.1 million in non-gaming revenue (i.e., lodging, food and beverage, and other) in its first stabilized year of operations, which is 2019 (Year 3) under an average-case scenario. The combination of gross gaming revenue and non-gaming revenue yields total gross revenue of \$856.8 million and, less promotional allowances, yields \$786.6 million in annual operating revenue.

² These dimensions will be effective in 2016 following an on-going \$100 million expansion of Woodbury Common.



CAESARS NEW YORK: TEN YEAR PROJECTED REVENUE STATEMENT (AVERAGE SCENARIO)										
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GAMING REVENUE:										
Slots	\$ 206,057,729	\$ 506,923,934	\$ 548,025,874	\$ 564,466,651	\$ 581,400,650	\$ 598,261,269	\$ 615,012,585	\$ 428,048,759	\$ 390,808,517	\$ 380,647,495
Tables	\$ 71,414,528	\$ 175,687,736	\$ 189,932,255	\$ 195,630,223	\$ 201,499,129	\$ 207,342,604	\$ 213,148,197	\$ 148,351,145	\$ 135,444,596	\$ 131,923,036
Poker	\$ 4,798,605	\$ 11,805,078	\$ 12,762,246	\$ 13,145,114	\$ 13,539,467	\$ 13,932,112	\$ 14,322,211	\$ 9,968,259	\$ 9,101,020	\$ 8,864,394
Gross Gaming Revenue	\$ 282,270,861	\$ 694,416,348	\$ 750,720,376	\$ 773,241,987	\$ 796,439,247	\$ 819,535,985	\$ 842,482,993	\$ 586,368,163	\$ 535,354,133	\$ 521,434,925
No. Slots	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
No. Slots	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200
No. Tables	190	190	190	190	190	190	190	190	190	190
No. Poker Tables	50	50	50	50	50	50	50	50	50	50
Slot Win Per Day (2,600)	\$ 433	\$ 534	\$ 577	\$ 595	\$ 613	\$ 630	\$ 648	\$ 451	\$ 412	\$ 401
Slot Win Per Day (3,200)	\$ 352	\$ 434	\$ 469	\$ 483	\$ 498	\$ 512	\$ 527	\$ 366	\$ 335	\$ 326
Table Win Per Day	\$ 2,054	\$ 2,533	\$ 2,739	\$ 2,821	\$ 2,906	\$ 2,990	\$ 3,074	\$ 2,139	\$ 1,953	\$ 1,902
Poker Win Per Day	\$ 524	\$ 647	\$ 699	\$ 720	\$ 742	\$ 763	\$ 785	\$ 546	\$ 499	\$ 486
NON-GAMING REVENUE										
Hotel Lodging	8,118,900	20,301,300	22,027,020	22,232,880	22,335,810	22,438,740	23,056,320	20,952,825	19,561,080	18,928,170
Food & Beverage	22,863,940	56,247,724	60,808,350	62,632,601	64,511,579	66,382,415	68,241,122	47,495,821	43,363,685	42,236,229
Other	9,032,668	21,526,907	23,272,332	23,970,502	24,689,617	25,405,616	26,116,973	18,177,413	16,595,978	16,164,483
GROSS REVENUE	\$ 322,286,369	\$ 792,492,279	\$ 856,828,078	\$ 882,077,970	\$ 907,976,253	\$ 933,762,755	\$ 959,897,408	\$ 672,994,222	\$ 614,874,876	\$ 598,763,807
Less: Promotional Allowances	\$ 26,427,482	\$ 64,984,367	\$ 70,259,902	\$ 72,330,394	\$ 74,454,053	\$ 76,568,546	\$ 78,711,587	\$ 55,185,526	\$ 50,419,740	\$ 49,098,632
OPERATING REVENUE	\$ 295,858,886	\$ 727,507,912	\$ 786,568,176	\$ 809,747,576	\$ 833,522,200	\$ 857,194,209	\$ 881,185,820	\$ 617,808,696	\$ 564,455,136	\$ 549,665,175

Note 1: FY 2017 to FY 2026 in constant 2014 dollars. 2. FY 2017 figures are for one-half year (Jan. 1, 2017 thru June 30, 2017). 3. Other includes retail, spa, entertainment, cash access fees, etc.

It is estimated that Caesars New York will generate approximately 54% of its gross gaming revenue from New York residents, 25% from New Jersey residents, 4% from Connecticut residents, 1% from Pennsylvania residents, and 16% from out-of-market residents (i.e., foreign travelers and other states). Moreover, a significant portion of the revenue generated from New York residents – approximately \$57 million -- will be recaptured from current expenditures by New York residents at casinos in Connecticut, New Jersey, and Pennsylvania. Thus, approximately 58% of the gross gaming revenue generated by the proposed Caesars New York will be captured from out-of-state residents or recaptured from spending in adjacent states, which constitutes net new gaming expenditures of \$435.4 million.

Furthermore, approximately 83% of gross gaming revenue will be generated by residents living outside a 30 minute drive time of the proposed gaming facility for net new local economic activity of \$652.9 million in the first stabilized year of operations (Year 3) (including both gaming and non-gaming revenue).

High-Case Scenario

The high-case scenario casino projects gross gaming revenue of \$987.2 million in its first stabilized year of operations, which is 2019 (Year 3). Under this same scenario, the gravity model generates a customer base of 2.5 million visitors, 13.9 million annual visits, with an average of 6 visits per year per visitor.

The gravity model indicates that the proposed Caesars New York casino will generate approximately 73% of its gross gaming revenue from within its primary market area (0-60 minutes), although a substantial portion of this revenue (56%) will come from the New York City area and thus constitutes a net gain in economic activity for the local community and county. Another 27% of the proposed casino's gross gaming revenue will be generated by visitors who travel more than one hour to reach the casino, including out-of-state visitors and foreign visitors from out of market (see Table 7).

It is estimated that the proposed Caesars New York casino will also generate an additional \$132.8 million in non-gaming revenue (i.e., lodging, food and beverage, and other) in its first stabilized year



of operations, which is 2019 (Year 3). The combination of gross gaming revenue and non-gaming revenue yields total gross revenue of \$1.1 billion and, less promotional allowances, yields \$1.0 billion in annual operating revenue.

CAESARS NEW YORK: TEN YEAR PROJECTED REVENUE STATEMENT (HIGH SCENARIO)										
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GAMING REVENUE:										
Slots	\$ 270,960,009	\$ 666,590,447	\$ 720,638,321	\$ 742,257,471	\$ 764,525,195	\$ 786,696,426	\$ 808,723,926	\$ 562,871,852	\$ 513,902,001	\$ 500,540,549
Tables	\$ 93,908,058	\$ 231,023,813	\$ 249,755,473	\$ 257,248,137	\$ 264,965,581	\$ 272,649,583	\$ 280,283,772	\$ 195,077,505	\$ 178,105,762	\$ 173,475,012
Poker	\$ 6,310,028	\$ 15,523,339	\$ 16,781,988	\$ 17,285,448	\$ 17,804,011	\$ 18,320,328	\$ 18,833,297	\$ 13,107,975	\$ 11,967,581	\$ 11,656,424
Gross Gaming Revenue	\$ 371,178,094	\$ 913,137,599	\$ 987,175,783	\$ 1,016,791,056	\$ 1,047,294,788	\$ 1,077,666,337	\$ 1,107,840,994	\$ 771,057,332	\$ 703,975,344	\$ 685,671,985
No. Slots	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
No. Slots	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200
No. Tables	190	190	190	190	190	190	190	190	190	190
No. Poker Tables	50	50	50	50	50	50	50	50	50	50
Slot Win Per Day (2,600)	\$ 569	\$ 702	\$ 759	\$ 782	\$ 806	\$ 829	\$ 852	\$ 593	\$ 542	\$ 527
Slot Win Per Day (3,200)	\$ 463	\$ 571	\$ 617	\$ 635	\$ 655	\$ 674	\$ 692	\$ 482	\$ 440	\$ 429
Table Win Per Day	\$ 2,701	\$ 3,331	\$ 3,601	\$ 3,709	\$ 3,821	\$ 3,932	\$ 4,042	\$ 2,813	\$ 2,568	\$ 2,501
Poker Win Per Day	\$ 690	\$ 851	\$ 920	\$ 947	\$ 976	\$ 1,004	\$ 1,032	\$ 718	\$ 656	\$ 639
NON-GAMING REVENUE										
Hotel Lodging	\$ 8,118,900	\$ 20,301,300	\$ 22,053,300	\$ 22,261,350	\$ 22,365,375	\$ 22,469,400	\$ 23,509,650	\$ 20,952,825	\$ 19,753,800	\$ 19,624,590
Food & Beverage	\$ 29,805,601	\$ 73,324,949	\$ 79,270,215	\$ 81,648,322	\$ 84,097,771	\$ 86,536,607	\$ 88,959,632	\$ 61,915,904	\$ 56,529,220	\$ 55,059,460
Other	\$ 11,840,581	\$ 29,129,089	\$ 31,490,907	\$ 32,435,635	\$ 33,408,704	\$ 34,377,556	\$ 35,340,128	\$ 24,596,729	\$ 22,456,813	\$ 21,872,936
GROSS REVENUE	\$ 420,943,176	\$ 1,035,892,938	\$ 1,119,990,205	\$ 1,153,136,363	\$ 1,187,166,638	\$ 1,221,049,900	\$ 1,255,650,404	\$ 878,522,790	\$ 802,715,178	\$ 782,228,972
Less: Promotional Allowances	\$ 35,359,227	\$ 86,704,239	\$ 93,855,179	\$ 97,785,964	\$ 99,721,998	\$ 103,056,612	\$ 106,102,459	\$ 74,586,585	\$ 67,428,075	\$ 65,707,234
OPERATING REVENUE	\$ 385,583,949	\$ 949,188,699	\$ 1,026,135,026	\$ 1,055,350,399	\$ 1,087,444,640	\$ 1,117,993,288	\$ 1,149,547,945	\$ 803,936,205	\$ 735,287,103	\$ 716,521,738

Note: 1. FY 2017 to FY 2026 constant 2014 dollars. 2. FY 2017 figures are for one-half year (Jan. 1, 2017 thru June 30, 2017). 3. Other includes retail, spa, entertainment, cash access fees, etc.

It is estimated that Caesars New York will generate approximately 54% of its gross gaming revenue from New York residents, 25% from New Jersey residents, 4% from Connecticut residents, 1% from Pennsylvania residents, and 16% from out-of-market residents (i.e., foreign travelers and other states). Moreover, a significant portion of the revenue generated from New York residents – approximately \$76 million -- will be recaptured from current expenditures by New York residents at casinos in Connecticut, New Jersey, and Pennsylvania. Thus, approximately 58% of the gross gaming revenue generated by the proposed Caesars New York will be captured from out-of-state residents or recaptured from spending in adjacent states, which constitutes net new gaming expenditures of \$572.6 million.

Furthermore, approximately 83% of gross gaming revenue will be generated by residents living outside a 30 minute drive time (see Table 8) of the proposed facility for net new local economic activity of \$830 million in the first stabilized year of operations (Year 3) (including both gaming and non-gaming revenue).

Low-Case Scenario

The low-case scenario casino projects gross gaming revenue of \$487.3 million in its first stabilized year of operations, which is 2019 (Year 3). Under this same scenario, the gravity model generates a customer base of 1.8 million visitors, 8.2 million annual visits, with an average of 4 visits per year per visitor. The gravity model indicates that the proposed Caesars New York casino will generate approximately 74% of its gross gaming revenue from within its primary market area (0-60 minutes), although a substantial portion of this revenue (57%) will come from the New York City area and thus constitutes a net gain in economic activity for the local community and county. Another 26% of the proposed casino's gross gaming revenue will be generated by visitors who travel more than one hour to reach the casino, including foreign visitors from out of market.



It is estimated that the proposed Caesars New York casino will also generate an additional \$75.3 million in non-gaming revenue (i.e., lodging, food and beverage, and other) in its first stabilized year of operations, which is 2019 (Year 3). The combination of gross gaming revenue and non-gaming revenue yields total gross revenue of \$562.7 million and, less promotional allowances, yields \$515.5 million in annual operating revenue.

CAESARS NEW YORK: TEN YEAR PROJECTED REVENUE STATEMENT (LOW SCENARIO)										
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GAMING REVENUE:										
Slots	\$ 133,765,068	\$ 329,076,297	\$ 355,758,159	\$ 366,430,903	\$ 377,423,830	\$ 388,369,122	\$ 399,243,457	\$ 277,873,446	\$ 253,698,456	\$ 247,102,296
Tables	\$ 46,359,674	\$ 114,049,730	\$ 123,297,006	\$ 126,995,916	\$ 130,805,793	\$ 134,599,161	\$ 158,367,938	\$ 96,304,085	\$ 87,925,629	\$ 85,639,563
Poker	\$ 3,115,077	\$ 7,663,421	\$ 8,284,779	\$ 8,533,322	\$ 8,789,322	\$ 9,044,212	\$ 9,297,450	\$ 6,471,025	\$ 5,908,046	\$ 5,754,437
Gross Gaming Revenue	\$ 183,239,819	\$ 450,789,448	\$ 487,339,943	\$ 501,960,142	\$ 517,018,946	\$ 532,012,495	\$ 546,908,845	\$ 380,648,556	\$ 347,532,132	\$ 338,496,296
No. Slots	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
No. Slots	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200
No. Tables	190	190	190	190	190	190	190	190	190	190
No. Poker Tables	50	50	50	50	50	50	50	50	50	50
Slot Win Per Day (2,600)	\$ 281	\$ 347	\$ 375	\$ 386	\$ 398	\$ 409	\$ 421	\$ 293	\$ 267	\$ 260
Slot Win Per Day (3,200)	\$ 228	\$ 282	\$ 305	\$ 314	\$ 323	\$ 333	\$ 342	\$ 238	\$ 217	\$ 212
Table Win Per Day	\$ 1,333	\$ 1,645	\$ 1,778	\$ 1,831	\$ 1,886	\$ 1,941	\$ 1,995	\$ 1,389	\$ 1,268	\$ 1,235
Poker Win Per Day	\$ 340	\$ 420	\$ 454	\$ 468	\$ 482	\$ 496	\$ 509	\$ 355	\$ 324	\$ 315
NON-GAMING REVENUE										
Hotel Lodging	\$ 7,794,144	\$ 19,399,020	\$ 20,660,460	\$ 20,855,370	\$ 20,952,825	\$ 21,050,280	\$ 22,024,830	\$ 20,481,975	\$ 19,304,850	\$ 19,173,450
Food & Beverage	\$ 14,714,157	\$ 36,198,393	\$ 39,133,397	\$ 40,307,399	\$ 41,516,621	\$ 42,720,603	\$ 43,916,780	\$ 30,566,079	\$ 27,906,830	\$ 27,181,253
Other	\$ 5,845,350	\$ 14,380,183	\$ 15,546,144	\$ 16,012,529	\$ 16,492,904	\$ 16,971,199	\$ 17,446,392	\$ 12,142,689	\$ 11,086,275	\$ 10,798,032
GROSS REVENUE	\$ 211,593,470	\$ 520,767,044	\$ 562,679,945	\$ 579,135,440	\$ 595,981,297	\$ 612,754,577	\$ 630,296,848	\$ 443,839,299	\$ 405,830,087	\$ 395,649,031
Less: Promotional Allowances	\$ 17,773,852	\$ 43,558,202	\$ 47,152,579	\$ 49,110,685	\$ 50,062,429	\$ 51,716,486	\$ 53,260,084	\$ 37,681,957	\$ 34,089,727	\$ 33,234,519
OPERATING REVENUE	\$ 193,819,618	\$ 477,208,842	\$ 515,527,366	\$ 530,024,755	\$ 545,918,868	\$ 561,038,091	\$ 577,036,764	\$ 406,157,342	\$ 371,740,360	\$ 362,414,512

Note: 1. FY 2017 to FY 2026 constant 2014 dollars. 2. FY 2017 figures are for one-half year (Jan. 1, 2017 thru June 30, 2017). 3. Other includes retail, spa, entertainment, cash access fees, etc.

It is estimated that Caesars New York will generate approximately 54% of its gross gaming revenue from New York residents, 26% from New Jersey residents, 4% from Connecticut residents, 1% from Pennsylvania residents, and 15% from out-of-market residents (i.e., foreign travelers and other states). Moreover, a significant portion of the revenue generated from New York residents – approximately \$38 million -- will be recaptured from current expenditures by New York residents at casinos in Connecticut, New Jersey, and Pennsylvania. Thus, approximately 58% of the gross gaming revenue generated by the proposed Caesars New York will be captured from out-of-state residents or recaptured from adjacent states, which constitutes net new gaming expenditures of \$282.6 million.

Furthermore, approximately 83% of gross gaming revenue will be generated by residents living outside a 30 minute drive time of the proposed facility for net new local economic activity of \$427.7 in the first stabilized year of operations (Year 3) (including both gaming and non-gaming revenue).

Competitive Impact

The competitive impact of the proposed Caesars New York casino was estimated for Empire City Casino at Yonkers Raceway, Resorts World Casino New York, and Monticello Casino & Raceway.³ These existing gaming facilities are located within the proposed Caesars New York casino's primary or secondary market area and will therefore compete directly with the proposed casino for some of the same customers.

³ There are six additional race track casinos and five Class III Indian casinos in New York. The Class III Indian casinos' markets are protected with zones of exclusivity, while the remaining race track casinos are located in Region 2 and Region 3 of the state. Thus, any competitive impact on those facilities will largely be due to the opening new resort casinos in Region 2 (Capital) and Region 3 (Eastern Southern Tier).



It is estimated in:

- the average-case scenario that the proposed Caesars New York casino will displace approximately \$113.4 million in gross gaming revenue from these three existing race track casinos in New York (FY 2019), the first full fiscal year of stabilized year of operations for the proposed casino, but \$637.3 million (85%) of gross gaming revenue will be net new growth for the New York gaming market.⁴
- the high-case scenario that the proposed Caesars New York casino will displace approximately \$151.9 million in gross gaming revenue from existing race track casinos in New York (FY 2019), the first full fiscal year of stabilized year of operations for the proposed casino, but \$835.3 million (85%) of gross gaming revenue will be net new growth for the New York gaming market.
- the low-case scenario that the proposed Caesars New York casino will displace approximately \$74.8 million in gross gaming revenue from existing race track casinos in New York (FY 2019), the first full fiscal year of stabilized year of operations for the proposed casino, but \$412.6 million (85%) of gross gaming revenue will be net new growth in the New York gaming market.

Competitive Impact of Caesars New York on Gross Gaming Revenue (Net Win), FY 2019

	FY 2019 High-Case	FY 2019 Avg-Case	FY 2019 Low-Case
Empire City Casino at Yonkers Raceway	\$ 36,632,519	\$ 27,364,492	\$ 18,316,260
Resorts World New York Casino	\$ 78,302,452	\$ 58,491,932	\$ 38,368,202
Monticello Gaming & Raceway	\$ 36,925,312	\$ 27,583,208	\$ 18,093,403
Total Market Impact	\$ 151,860,283	\$ 113,439,632	\$ 74,777,865
Caesars New York Casino	\$987,159,079	\$750,720,376	\$487,339,943
Net New Growth in Gross Gaming Revenue	\$835,298,796	\$637,280,744	\$412,562,078
Net New Growth in Gross Gaming Revenue	85%	85%	85%

Notes: 1. Revenue in 2014 constant dollars. 2. Assumes January 1, 2017 start date for Caesars New York.

The proposed Caesars New York casino's displacement of existing facilities' gross gaming revenue will affect the amount of net gaming tax revenue collected by the State of New York from existing race track casinos. Based on current revenue sharing percentages (FY 2013) with the race track casinos, net gaming tax revenue for the State of New York is estimated as follows:

⁴ The percentage of net new growth for non-gaming revenue will be higher than the estimated percentage for gross gaming revenue, because (1) none of Caesars New York's direct competitors has a hotel and (2) a higher percentage of patrons staying at the hotel will come from outside the local and regional market and, consequently, these patrons will also spend more on food and beverage and other amenities due to their longer stay at the facility.



- the average-case scenario will generate \$174.1 million in net new gaming tax revenues for the State of New York (after accounting for the displacement of gross gaming revenue at existing race track casinos),⁵
- the high-case scenario will generate \$227.5 million in net new gaming tax revenues for the State of New York (after accounting for the displacement of gross gaming revenue at existing race track casinos),
- the low-case scenario will generate \$112.4 million in net new gaming tax revenues for the State of New York (after accounting for the displacement of gross gaming revenue at existing race track casinos).

Competitive Impact of Caesars New York on State Gaming Tax Gaming Revenues, FY 2019

Gaming Facility	FY 2019	FY 2019	FY 2019
	High-Case	Avg.-Case	Low-Case
Empire City Casino at Yonkers Raceway	\$ (21,430,024)	\$ (16,008,228)	\$ (10,715,012)
Resorts World New York Casino	\$ (40,717,275)	\$ (30,415,805)	\$ (19,951,465)
Monticello Gaming & Raceway	\$ (18,093,403)	\$ (13,515,772)	\$ (8,865,767)
Total Market Impact	\$ (80,240,702)	\$ (59,939,804)	\$ (39,532,245)
Caesars New York Casino	\$ 307,702,691	\$ 233,999,541	\$ 151,903,861
Net New Growth in Gaming Tax Revenue	\$ 227,461,990	\$ 174,059,737	\$ 112,371,616
Net New Growth in Gaming Revenue	74%	74%	74%

Notes: 1. Revenue in 2014 constant dollars. 2. Assumes January 1, 2017 start date for Caesars New York. 3. Assumes revenue sharing rates in effect for race track casinos, effective FY 2014. 4. Assumes gaming tax rate of 39% on slot machine revenue (Region 1) and 10% on table games revenue.

⁵ The percentage of net new growth for taxes on non-gaming revenue (e.g., lodging tax, meals and sales tax) will be higher than the estimated percentage for gross gaming revenue, because (1) none of Caesars New York's direct competitors has a hotel and (2) a higher percentage of patrons staying at the hotel will come from outside the local and regional market and, consequently, these patrons will also spend more on food and beverage and other amenities due to their longer stay at the facility.



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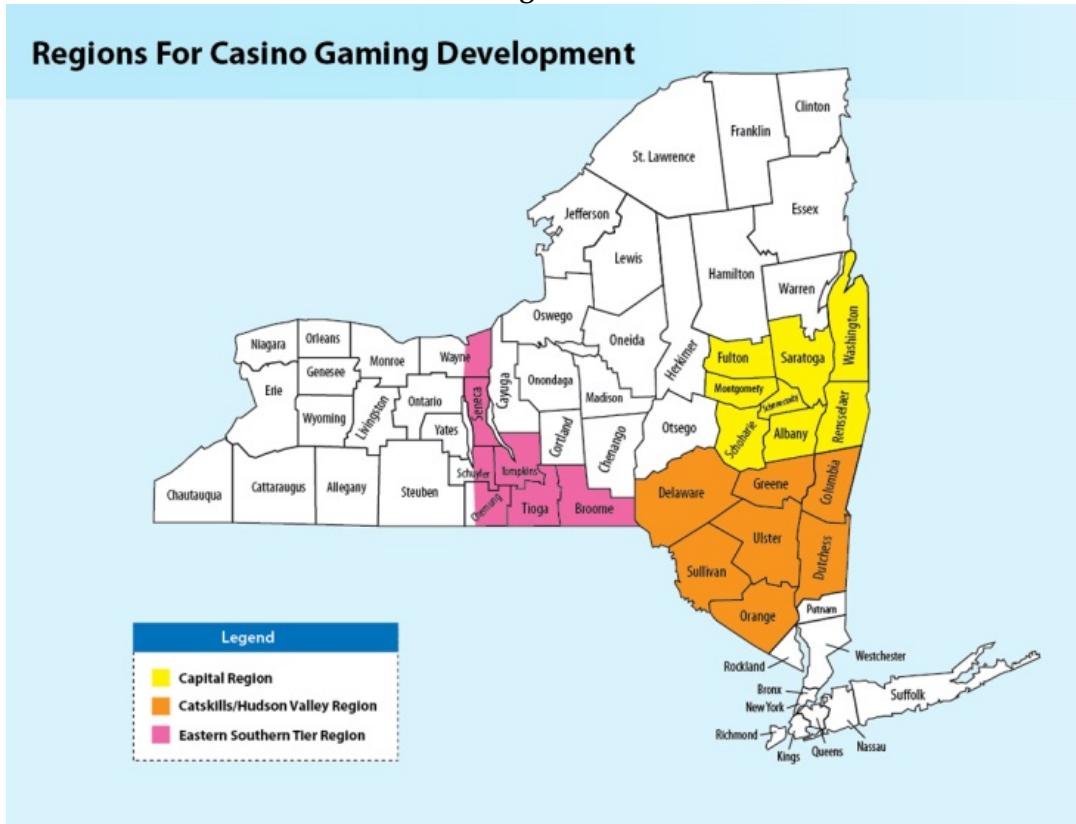
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1. Assignment

On November 5, 2013, New York's voters approved an amendment to the state constitution that authorized Las Vegas style commercial casino gaming in New York for the first time. The Upstate New York Gaming and Economic Development Act (Chapters 174 and 175 of the Laws of 2013) outlines the procedure and process for siting destination resort casinos in the State of New York. At the present time, the Act authorizes up to four destination gaming resorts in Upstate New York with at least one facility in each of three regions: Capital, Catskills/Hudson Valley, and Eastern Southern Tier (see Figure 1).⁶

Figure 1



However, the Act retains designated zones of geographical exclusivity for the state's five Indian casinos (see Figure 2), so the three regions established for commercial resort casinos are essentially the residual territories that remain outside the tribal exclusivity zones.

⁶ No more than two of the four facilities can be located in any of the three regions.



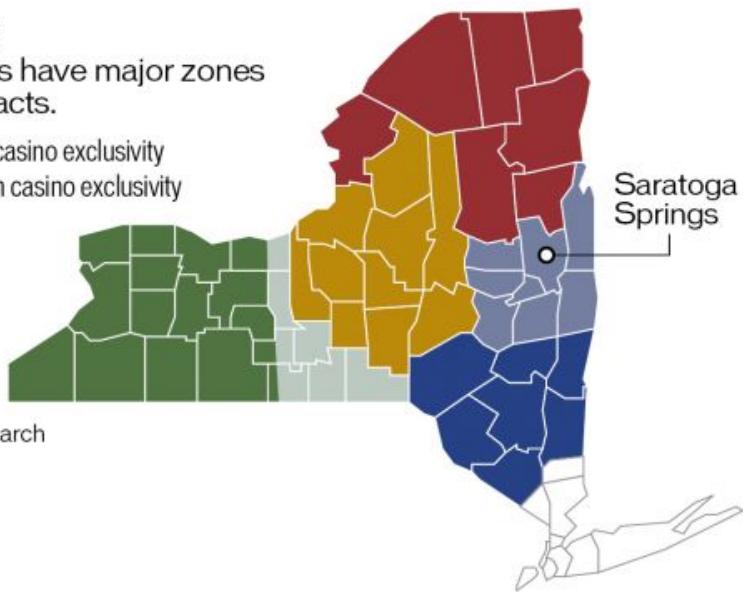
Figure 2

Casino zones

Three gaming tribes have major zones under exclusivity pacts.

- St. Regis Mohawks casino exclusivity
- Oneida Indian Nation casino exclusivity
- Seneca Indian Nation possible casino exclusivity
- Open zones

Source: Times Union research



Note: Seneca exclusivity zone is now confirmed.

The proposed destination resort casinos can be entirely new resorts or conversions and expansions of existing race track casinos. The proposed facilities will also retain their geographical exclusivity for at least 7 years after the first gaming license is issued by the New York Gaming Commission, but after 7 years the state may authorize an additional three casinos, including one in New York City.

The stated purposes of the Upstate New York Gaming and Economic Development Act are to increase total employment in the leisure and hospitality sector, generate net new revenues for state and local governments, and recapture New York gaming dollars that are currently leaving the state for Connecticut, Pennsylvania, and New Jersey (New York State Gaming Commission 2014). The New York Gaming Commission issued a formal Request for Applications (RFA) on April 7, 2014 with Applications due by the close of business on June 30, 2014. The applications for a casino license will be reviewed and evaluated by a newly established Resort Gaming Facility Location Board that is required to evaluate applications on the following scale:

- 70 percent: Economic activity and business development factors,
- 20 percent: Local impact and siting factors,
- 10 percent: Workforce enhancement factors.

The economic activity and business development factors include:

- Realizing maximum capital investment exclusive of land acquisition and infrastructure improvements,
- Maximizing revenues received by the state and localities,
- Providing the highest number of quality jobs in the gaming facility,
- Building a gaming facility of the highest caliber with a variety of quality amenities to be included as part of the gaming facility,



- Offering the highest and best value to patrons to create a secure and robust gaming market in the region and the state,
- Providing a market analysis detailing the benefits of the site location of the gaming facility and the estimated recapture rate of gaming-related spending by residents travelling to an out-of-state gaming facility,
- Offering the fastest time to completion of the full gaming facility,
- Demonstrating the ability to fully finance the gaming facility,
- Demonstrating experience in the development and operation of a quality gaming facility.

Pyramid Associates, LLC (“Pyramid”) was commissioned by Woodbury Casino, LLC (“Woodbury”) to provide a market feasibility and impact analysis of the Caesars New York casino proposed in its license application to the New York State Gaming Commission. The commissioned work includes an:

- estimate of the potential gaming market for the proposed facility based on a custom designed gravity model that incorporates adult population (age 21+), disposable personal income, and the estimated propensity to gamble within primary (60 minute drive), secondary (61-120 minute drive), and tertiary market areas (121-150 minute drive), including a tourism and out-of-market factor.
- estimate of annual gross gaming revenues (by slot machines, tables, and other) for the first ten years of the facility’s operation,
- estimate of non-gaming revenues (itemized by hotel, food and beverage, retail and entertainment, and other), and gross revenues (gaming + non-gaming revenues) for the first ten years of the facility’s operation,
- estimate of annual visitor and visitation counts, specifying the proportion of visits and revenue generated from the primary, secondary, tertiary, and out-of-market areas, including the amount of revenue generated by visitors from states other than New York, and revenue recaptured by residents gambling outside of New York, for the first ten years of the facility’s operation,
- estimates for a high-, average-, and low-case basis,
- estimates based on project and facility specifications provided by the Client,
- a description of all assumptions that are material to the Consultant’s projections and forecasts and substantiated bases and reasonableness of all such assumptions, for example, by comparing them to the actual performance of comparable facilities in other jurisdictions.

This report is organized as follows. Section 2 sets forth background on casino gaming, the proposed Caesars New York casino, and the gaming market. Section 3 describes the analytical methodology used in this report. Section 4 enumerates key assumptions of our analyses. Sections 4 and 5 provide



the analyses and results. The materials and sources referenced in this report are listed in Section 6 of the report. Background on the authors of the report and Pyramid Associates, LLC are set forth in Appendices A and B, respectively. Appendix C provides extensive background on the analytical methodology used in the report.



2. Background

This section of the report provides background on U.S. casino gaming, the proposed Caesars New York casino, existing New York casino gaming, and gaming facilities near the proposed Caesars casino.

2.1 U.S. CASINO GAMING

Casino gaming is a significant component of the leisure, hospitality, and entertainment industry in the United States with 38 states (2012) now hosting some type of casino gaming. There are 960 casino gaming venues in the United States, including 468 Indian gaming facilities and 492 commercial casinos (including racetrack casinos).⁷ Nearly half (46%) of all commercial casinos are now located in non-traditional jurisdictions (i.e., outside Nevada and New Jersey) and, if one includes Indian casinos, then seventy-two percent (72%) of all U.S. casinos are now located in non-traditional jurisdictions. All types of casino gaming combined generated \$64.7 billion in gross gaming revenues in 2012 with \$50.8 billion (78.6%) of that amount accruing to venues outside the traditional jurisdictions of Nevada and New Jersey. It is estimated that total industry revenues (gaming and non-gaming) were approximately \$74 billion in 2012. The casino industry as a whole employed more than 670,000 people nationwide and made approximately \$10.2 billion in direct payments to state and local governments.⁸ The percentage of adults who gambled at a casino at least once in the previous year has climbed from 17 percent in 1990 to 32 percent in 2012, when 76.1 million Americans made more than 400 million visits to casinos.⁹ Moreover, since the late 1980s, when new casinos began opening in non-traditional jurisdictions, nearly 82 percent of the increase in casino visitations has occurred in non-traditional casino jurisdictions.

The significance of casino gaming within the leisure and hospitality sector is now recognized in the industrial classification system used by the United States Government to collect data on employment, wages, and business establishments. In 1997, the United States began phasing out the old Standard Industrial Classification (SIC) System, which had been designed mainly for classifying business establishments in an industrial economy. The North American Industry Classification System (NAICS), which replaced the SIC system, was designed specifically to identify trends in “new and emerging industries” and to capture the growing importance of “service industries in general” in the new economy.¹⁰

NAICS classifies business establishments into twenty major Sectors, with gaming establishments assigned to Sector 71 – Arts, Entertainment, and Recreation and Sector 72 -Accommodation and Food Services:

⁷ Calculated from data in Harrah's Entertainment, Inc. (2006); American Gaming Association (2013); and Meister (2014).

⁸ Calculated from data in Meister (2014) and American Gaming Association (2013). The reported tax payments and revenue sharing do not include corporate income taxes, sales, meals, and lodging taxes, property taxes, and other license and fee payments.

⁹ Harrah's Entertainment, Inc. (2006); American Gaming Association (2013).

¹⁰ Office of Management and Budget (1997, 3).



- Subsector 711. Performing Arts, Spectator Sports, and Related Industries
- Subsector 712. Museums, Historical Sites, and Similar Institutions
- Subsector 713. Amusement, Gambling, & Recreation
- Subsector 721120. Casino Hotels

Spectator sports, art museums, and casinos are classified in the same major sector, because each industry group provides a comparable service in the form of amusement or entertainment. A customer can be amused or entertained by a sporting event, an art exhibit, or a slot machine, and one can be equally disappointed if one's favorite sports team loses a game, if an art exhibit is uninspiring, or if a gambler has a bad day at the blackjack table. Each industry provides a service called amusement or entertainment.

Casinos and other gaming establishments were assigned their own six-digit NAICS Codes for the first time in 1997 and the new coding system explicitly differentiates between types of establishments by assigning different codes to Casinos (713210), Other Gambling Industries (713290, i.e., slot parlor/racinos), and Casino Hotels (721120) (see Table 1).

Table 1**NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM****711212 Racetracks**

Comprises establishments primarily engaged in operating racetracks. These establishments may also present and/or promote the events, such as auto, dog, and horse races, held in these facilities.

713210 Casinos (except Casino Hotels)

Comprises establishments primarily engaged in operating gambling facilities that offer table wagering games along with other gambling activities, such as slot machines and sports betting. These establishments often provide food and beverage services. Included in this industry are floating casinos (i.e., gambling cruises, riverboat casinos).

713290 Other Gambling Industries

Comprises establishments primarily engaged in operating gambling facilities (except casinos or casino hotels) or providing gambling services. Included in this industry are bingo, off-track betting, card rooms, and slot machine parlors.

721120 Casino Hotels

Comprises establishments primarily engaged in providing short-term lodging in hotel facilities with a casino on the premises. The casino on premises includes table wagering games and may include other gambling activities, such as slot machines and sports betting. These establishments generally offer a range of services and amenities, such as food and beverage services, entertainment, valet parking, swimming pools, and conference and convention facilities.

Casino establishments include land-based casinos, riverboat casinos, dockside casinos, and cruise ships, which offer a wide range of slot machine games and table games. Casino hotels typically offer the same gambling options, but also offer non-gambling amenities, such as retail outlets, dining establishments, dance clubs, comedy clubs, cabarets, concert and sporting arenas, spas, golf courses, recreational vehicle parks, water parks, and meeting and conference facilities. Other Gambling Industries consists primarily of racinos or slot parlors, where slot machines or video lottery



terminals (VLTs) are installed at an existing pari-mutuel facility, such as a dog track, horse track, or jai-alai fronton.

Thus, the casino industry is actually differentiated into many niche markets that are distinguished by the type of facility, size of facility, consumer demographics, and customer motivation. Consequently, the market, economic, and fiscal impacts of the industry vary widely from state to state, and even within states, depending on the particular configuration of casino establishments and whether a state's gaming policy allows essentially unrestricted market entry (subject to licensing), such as Nevada, New Jersey, and Mississippi, or whether a state limits market entry to a fixed number of establishments (e.g., Maryland, Massachusetts, and Michigan). The market, economic, and fiscal impacts of the industry can also vary depending on whether a state hosts state-licensed and regulated commercial casinos or Indian casinos that operate under federal laws, state gaming compacts, and tribal ordinances.

2.2 PROPOSED CAESARS NEW YORK CASINO¹¹

Woodbury Casino, LLC is proposing a destination resort casino and hotel to be located in Woodbury, New York. The resort casino and hotel would be fully built-out (without phases) with an estimated opening date of January 1, 2017. As shown in Table 2, the full build out of the proposed Caesars New York will include 2,600 slot machines, 190 table games, 50 poker tables, and a 300 room hotel with luxury rooms, suites, villas, a spa, and fitness center. The resort casino will also include 6 restaurants with 1,250 seats (both chef-driven and local concept), a food court, 5 bars and lounges, an outdoor performance arena, a 20,000 square foot ballroom, and garage, surface, and valet parking.

Table 2

Proposed Caesars New York Casino		
Facilities & Amenities	Number	Square Feet
Slot Machines	2,600	
Table Games	190	
Poker Tables	50	
Hotel (w/spa & fitness center)	300 rooms	
Restaurants	6	1,250 seats
Bars & Lounges	5	
Retail Outlets		
Ballroom		20,000
Outdoor Performance Arena		
Garage, Surface, & Valet Parking		

Source: Woodbury Casino, LLC and Caesars Entertainment Operating Co., Inc. (2014).

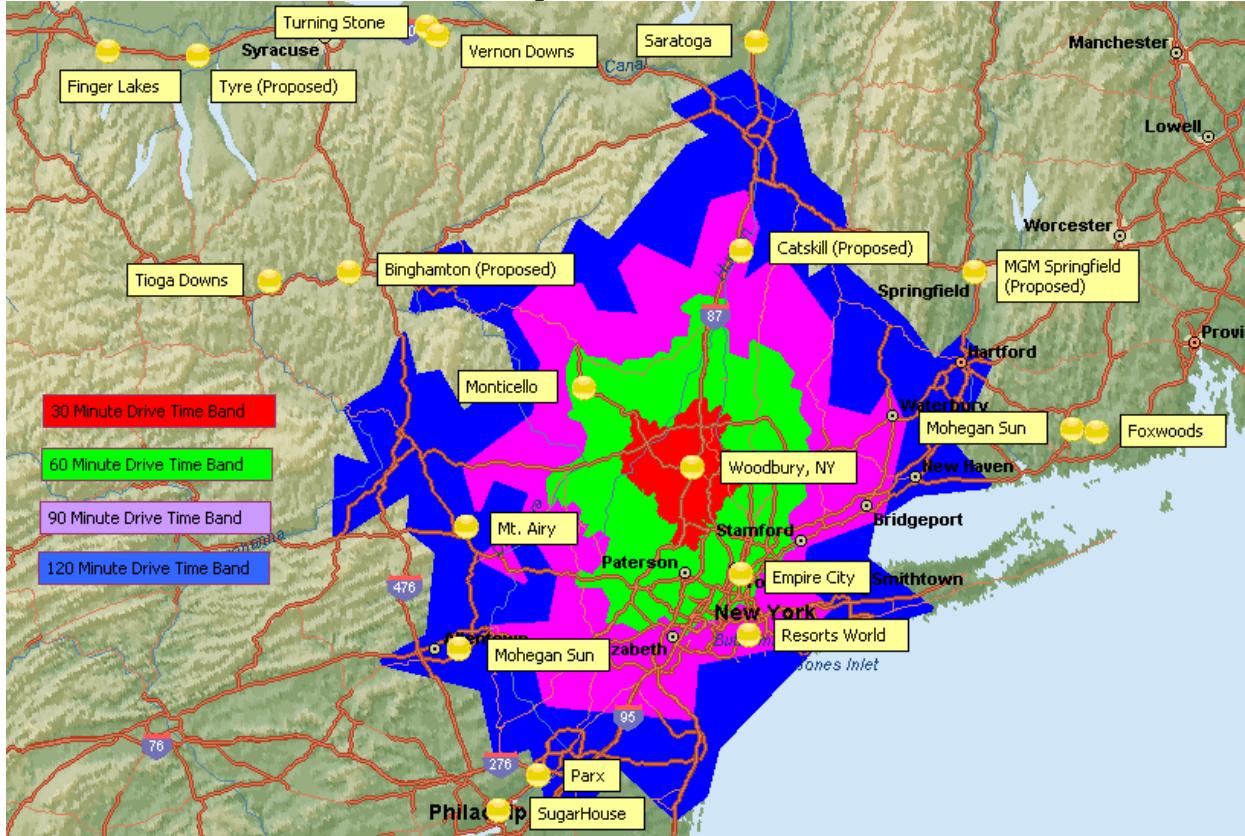
As discussed in this study, the proposed Caesars New York casino will compete with Empire City Casino at Yonkers Raceway, Resorts World Casino New York, Monticello Casino & Raceway, and a

¹¹ Casinos enterprises are taking a more cautious approach in sizing new facilities as they become more competitive throughout the country. For example, New York may authorize additional casinos in 7 years, including one in New York City, while Massachusetts and Pennsylvania are also adding additional gaming facilities. The initial planning for the proposed Caesars New York takes these competitor factors into account. However, if revenue yields warrant an 'upsizing' of the facility (e.g. the addition of more slot machines), then the owner/operator is prepared to increase the number of slots to 3,200. The proposed casino will be scaled to the appropriate size over time depending on actual revenue performance.



proposed Catskills casino (if approved and licensed in the same region). The proposed Caesars New York casino would also be a competitor with other gaming facilities in the regional gaming market, including casinos in Connecticut, Massachusetts (planned), New Jersey, and Pennsylvania. The proposed Caesars New York would be competing for destination travelers residing in their secondary and tertiary market areas, as well as local convenience gamblers, residing in their primary market area (see Figure 3).

Figure 3
Market Area of Proposed Caesars New York Casino



2.3 REGIONAL CASINO GAMING

The proposed Caesars New York will operate within the context of an existing state gaming market, which itself competes with other gaming facilities in Connecticut, New Jersey, Pennsylvania, and at some point with Massachusetts. There are currently 5 gaming facilities within a 2 hour drive time of Woodbury, New York, including three slots-only race track casinos in New York and two casino hotels in Pennsylvania (see Figure 1 and Figure 3).

2.3.1 New York Casino Gaming

The State of New York currently has nine (9) slots-only race track casinos that operate 29,044 video lottery terminals (VLTs) and five (5) Class III Indian casinos with approximately 10,000 slot machines and 325 table games (New York State Gaming Commission 2014; Meister 2014, 17). The proposed Caesars New York casino would be one of the largest casinos in New York in terms of



total gaming positions (i.e., slot machines and table games),¹² hotel capacity, and non-gaming amenities (see Table 3).

Table 3

New York Racinos & Indian Casinos							
Name	City/Town	County	VLTs & Slots (Weighted)	FY 13/14 GGR (Win)	Revenues to State	No. Bars	No. Restaurants
Batavia Downs Casino	Batavia	Genesee	703	\$ 47,080,080	\$ 24,010,841	2	2
Empire City Casino at Yonkers Raceway	Yonkers	Westchester	5,376	\$ 547,223,127	\$ 320,361,645	2	5
Hamburg at the Fairgrounds	Hamburg	Erie	940	\$ 72,820,734	\$ 33,182,159	1	4
Finger Lakes Gaming and Race Track	Farmington	Ontario	1,356	\$ 130,749,871	\$ 74,731,188	2	7
Monticello Gaming & Raceway	Monticello	Sullivan	1,110	\$ 61,317,976	\$ 30,045,808	0	3
Resorts World Casino New York	Ozone Park	Queens	5,004	\$ 792,578,989	\$ 412,141,074	2	1
Saratoga Casino and Raceway	Saratoga Springs	Saratoga	1,782	\$ 158,926,792	\$ 91,266,808	1	3
Tioga Downs Casino	Nichols	Tioga	802	\$ 58,151,725	\$ 28,228,001	2	3
Vernon Downs Casino	Vernon	Oneida	767	\$ 43,370,912	\$ 19,516,911	3	5
		Sub-Total:	17,840	\$ 1,912,220,206	\$ 1,033,484,435	15	33
Indian Casinos (2012)			11,204	\$ 1,056,600,000	\$ -	N/A	N/A
		Total:	29,044	\$ 2,968,820,206	\$ 1,033,484,435	15	33

Sources: New York State Gaming Commission; Meister, *Indian Gaming Industry Report, 2014*. Pyramid Associates (2014).

New York's racetrack casinos have enjoyed robust growth during the last five years with a 22.2% average annual growth rate in gross gaming revenues (see Table 4). Empire City Casino at Yonkers Raceway is the only race track casino to report a decline in gross gaming revenue (-0.3%) during this time, but that decline is primarily due to the remarkable performance of Resorts World Casino New York, which opened in 2012 (FY 2013) and also cannibalized a portion of Empire City Casino's customers. New York's race track casinos have also succeeded at recapturing some of the gaming expenditures previously made by New York residents at resort casinos in Connecticut and New Jersey, although New York residents continue to spend significant amounts of money at those casinos (Barrow and Borges 2013a).

Table 4

New York Race Track Casinos: Gross Gaming Revenues FY 2009/10 Thru FY 2013/14

Name	FY 09/10 GGR (Win)	FY 10/11 GGR (Win)	FY 11/12 GGR (Win)	FY 12/13 GGR (Win)	FY 13/14 GGR (Win)	Avg. Annual Change
Batavia Downs Casino	\$ 36,895,594	\$ 38,078,262	\$ 41,462,526	\$ 45,090,686	\$ 47,080,080	6.9%
Empire City Casino at Yonkers Raceway	\$ 554,193,176	\$ 595,030,078	\$ 609,751,950	\$ 545,370,374	\$ 547,223,127	-0.3%
Hamburg at the Fairgrounds	\$ 55,667,748	\$ 64,893,553	\$ 75,893,655	\$ 81,646,803	\$ 72,820,734	7.7%
Finger Lakes Gaming and Race Track	\$ 111,532,421	\$ 118,062,550	\$ 125,168,272	\$ 129,678,591	\$ 130,849,471	4.3%
Monticello Gaming & Raceway	\$ 53,908,242	\$ 58,093,521	\$ 62,675,993	\$ 63,695,004	\$ 61,317,976	3.4%
Resorts World Casino New York	\$ -	\$ -	\$ 253,297,732	\$ 696,555,056	\$ 792,578,989	50.0%
Saratoga Casino and Raceway	\$ 136,675,983	\$ 140,550,100	\$ 155,691,034	\$ 158,697,772	\$ 158,926,792	4.1%
Tioga Downs & Casino	\$ 50,154,426	\$ 53,670,402	\$ 59,569,894	\$ 61,022,883	\$ 58,151,725	4.0%
Vernon Downs & Casino	\$ 38,220,567	\$ 41,183,775	\$ 43,273,100	\$ 43,611,767	\$ 43,370,912	3.4%
State	\$ 1,019,279,108	\$ 1,087,749,279	\$ 1,259,252,847	\$ 1,802,211,532	\$ 1,925,565,097	22.2%

Source: New York State Gaming Commission (2014).

¹² One slot machine equals one gaming position, while one table game is normally six positions because it can accommodate multiple players.



2.3.2 Existing Casinos Near the Proposed Caesars New York Casino

NEW YORK

New York Race Track Casinos

Batavia Downs Casino & Hotel



Batavia Downs, opened in 1940, is located in Batavia, New York and is the oldest lighted harness racetrack in the United States. The facility features four restaurants, including a sports bar, fine dining, quick service, and a buffet. VLTs were introduced in 2005 and the facility now houses over 600 gaming machines. Gross gaming revenue in FY 2014 was over \$47 million.

Empire City Casino at Yonkers Raceway

Empire City Casino is located in Yonkers, NY and features VLTs and year-round live harness racing and simulcast wagering. Originally opened as the Empire City Trotting Club in 1899, the facility closed its doors in June 2005 to construct its VLT gaming operation. After several expansions, Empire City Casino now offers more than 5,300 gaming machines, electronic roulette, and craps. The property has five restaurants, two bars and one lounge, and live entertainment, including an Irish pub, French and Italian cuisine, a craft cocktail lounge, and a restaurant that overlooks the racetrack allowing gamblers to dine while watching live races. Empire City Casino is New York's second largest facility in terms of gross gaming revenue, posting approximately \$600 million dollars in GGR in FY 2014.



Hamburg Casino at the Fairgrounds



Hamburg Casino at the Fairgrounds is a racino located in Hamburg, New York that features harness racing, simulcast wagering, and a 55,000 square foot gaming space with 940 gaming machines. The property includes a buffet, three restaurants, one bar, and one cafe and offers live entertainment on the weekends. Gross gaming revenue in FY 2014 was over \$72 million.



Finger Lakes Gaming & Race Track



Finger Lakes Gaming & Racetrack, first opened in 1962, is a one mile thoroughbred horse racing track and racino located in Farmington, New York. Finger Lakes is home to the New York Derby, a 1 1/16 mile restricted race for 3 year old horses that have been bred in the state of New York. VLTs, new dining options, and entertainment venues were added in 2004, and the facility once again expanded in 2006 with the addition of a 280-seat buffet restaurant and space for additional video gaming machines. The racino's 30,000

square foot smoke free facility currently features over 1,500 gaming machines. Gross gaming revenue in FY 2014 was over \$131 million. In 2002, Finger Lakes introduced an Equine Swim Facility - one of the only aquatic facilities on track grounds in the country.

Monticello Casino and Raceway



Monticello Casino and Raceway is a racino located in Monticello, NY. The racino features year round harness racing on one of the largest, all-weather tracks in the country and offers 40,000 square feet of gaming space with over 1,000 gaming machines. The racetrack is nicknamed "The Mighty M" and races standard bred horse races during the

afternoons year round. The property has three restaurants that include a buffet, The Terrace restaurant, and a food court that offers quick service options. Gross gaming revenue in FY 2014 was over \$61 million.

Resorts World Casino New York



Resorts World New York is located at the Aqueduct Raceway in Queens. The facility offers approximately 5,200 VLTs and table game machines in its two casino areas as well as a high slot limit area. The Times Square casino includes over 2,200 slot and table machines, while the Fifth Avenue casino includes over 3,000 VLT and table game machines. The casino includes two restaurants, a buffet, a food court, a bar, and nightclub. The facility also continues to offer thoroughbred racing at its Aqueduct Racetrack from

October through May. Gross gaming revenue in FY 2014 was nearly \$800 million.



Saratoga Casino and Raceway

Saratoga Casino and Raceway is located in Saratoga Springs, New York and includes a half mile harness racing track. In 2004, the property became the first racing facility in New York to open video lottery games and was later expanded to include VLTs. The racino's 55,000 square foot gaming space features nearly 1,700 gaming machines. The property also includes multiple restaurants, three bars and a nightclub. Gross gaming revenue in FY 2014 was approximately \$159 million.



Tioga Downs Casino



Tioga Downs is a 138 acre racino located in Nichols, New York. First called Tioga Park and opened in 1976, the facility closed after only three years of racing. The facility was renamed Tioga Downs and re-opened in 2006 with two tracks that feature harness racing and 19,000 square feet of gaming space, which includes simulcast betting and approximately 800 gaming machines and Bingo. The property also has two restaurants, a buffet, and two bars and a stage area that hosts concerts. Gross gaming revenue in FY 2014 was over \$58 million.

A \$14 million, three-story parking garage complex is planned and the facility's current owner has indicated an intent to apply for a gaming license to include table games under the state's casino expansion legislation. Additional expansion plans include a 136-room hotel, event center, and expansion of the gaming floor, including a poker room.

Vernon Downs Casino & Hotel



Vernon Downs Casino & Hotel, originally opened in 1956, is located in Vernon, New York and features seasonal harness racing, year-round daily live simulcasting, and live entertainment on weekends. The racino features approximately 767 gaming machines in 34,500 square foot of gaming space. The property also includes six restaurants, one bar, and a hotel with 173 guestrooms and suites. Gross gaming revenue in FY 2014 was nearly \$43 million.



New York Class III Indian Casinos

Akwesasne Mohawk Casino



The **Akwesasne Mohawk Casino**, located in the Saint Regis Mohawk Tribe's territory in Hogansburg, New York, opened for Class III gaming in April 1999. The casino includes 140,000 square feet of gaming space that houses over 1,800 slot machines and 30 table games. The on-site hotel has 150 rooms and luxury suites with heated indoor pool, Jacuzzis, fitness center, spas, and restaurants. The casino also has four dining options, including a buffet, a bar and grill, and a food court.

Seneca Allegany Casino

Seneca Allegany Casino opened in May, 2004 and is located on the Seneca Nation's Territory in the City of Salamanca, New York. The facility occupies approximately 120,460 square feet, with 68,300 square feet of gaming space that features over 2,000 gaming machines and 33 table games. The property has five restaurants, a bar, and two lounges. Its 413 room hotel includes a spa and salon, fitness center, and indoor pool.



Seneca Buffalo Creek Casino



Seneca Buffalo Creek Casino is located in Buffalo, New York's Inner Harbor area. Opened in 2007, the name Seneca Buffalo Creek Casino refers to the Seneca Nation of Indians' original Buffalo Creek Territory, which occupied lands surrounding the current 9-acre casino site. The casino recently completed a \$130 million renovation and currently features a 147,000 square foot casino with 18 table games and approximately 800 slot machines. The facility has two dining options and a sports bar.

Seneca Niagara Casino and Hotel

Seneca Niagara Casino and Hotel is located on approximately 24 acres on the Seneca Nation's Territory in the City of Niagara Falls, New York. The casino features over 4,200 gaming machines and 99 table and poker games in 147,000 square feet of gaming space. The property includes 7 restaurants, 2 snack bars, a café, 2 bars, a night club, and a lounge. The Seneca Niagara Casino & Hotel is one of the largest hotels in Western New York with 26 levels and is located just blocks from Niagara Falls. The hotel includes 604 rooms with a spa, workout facility, indoor pool, and 30,000 square feet of meeting and conference space.



Turning Stone Resort Casino



Turning Stone Resort Casino, located on the Oneida Nation's Territory in Verona, New York, opened for Class III gaming in July, 2003. The casino's 125,000 square foot gaming space features over 2,400 gaming machines and 87 table games, a 32 table poker room, and Bingo. The resort includes four hotels including three AAA four-diamond rating winning properties with 709 rooms as well as an RV park. The property also showcases an 800 seat showroom, a 5,000 seat event center, twenty restaurants, 4 bars, a night club, and 2 lounges and a cafe. The facility is also home to five golf courses, including three award winning PGA level

courses. Home to the Golf Academy, the Golf Training Center at Turning Stone Resort is the premier training facility for year-round golf in Central New York.

CONNECTICUT

Foxwoods Resort Casino



Foxwoods Resort Casino opened on February 15, 1992 and is now the largest resort casino in the Western Hemisphere by space with 344,000 square feet of gaming space located within a larger resort complex that covers 4.7 million square feet. On average, about 40,000 people visit Foxwoods Resort each day. Foxwoods has six casinos with more than 5,800 slot and video poker machines. Its six casinos offer 380 table games, including 100 poker tables, with 15 different types of games.

Foxwoods has 2,226 guest rooms and suites in its four hotels. There are 27 food and beverage outlets, including gourmet restaurants, casual dining establishments, express services, bars, lounges, and a buffet. There are also ten bars and nightclubs, the 1,400-seat Fox Theater, a 55,000 square foot ballroom, and a 30,000 square foot junior ballroom. Foxwoods also operates the adjacent Lake of Isles, a 50,000 square foot golf club that features two 18-hole upscale public golf courses. In addition, Foxwoods offers first-class shopping with 30 retail outlets that sell men's and women's fashion apparel, accessories and jewelry, high-quality merchandise produced by Native Peoples from throughout the Americas, flowers, candy, children's clothing, toys, perfumes, and gift cards. Gross gaming revenue in CY 2013 was over \$530 million.



Mohegan Sun Casino



Mohegan Sun opened on October 12, 1996 and is located on a 240-acre site on the Mohegan Tribe's reservation adjacent to Montville, Connecticut. Mohegan Sun is now the second largest resort casino in the Western Hemisphere based on gaming revenues, or the third largest based on the number of gaming positions. The facility houses a 350-seat Cabaret Theatre, the 300 seat Wolf Den, 10,000 seat Arena, 410 seat lounge, and 100,000 square feet of meeting and function room space, including the Northeast's biggest ballroom, and 130,000 square feet of retail shopping.

Mohegan Sun has approximately 364,000 square feet of gaming space in three casinos – the Casino of the Earth (188,000 sq. ft.), the Casino of the Sky (119,000 sq. ft.), and the Casino of the Wind (45,000 sq. ft.). Mohegan Sun's three casinos have more than 5,500 slot machines and 377 table games, as well as keno and an 11,000 square foot simulcast race book.

The facility hosts 39 dining options including restaurants, cafes, coffee shops, buffets, two multi-station food courts, lounges and bars, and 15 retail and specialty shops. Mohegan Sun also has a 1,200 room luxury hotel with 34 floors. The hotel includes 100,000 square feet of convention space and a 20,000 square foot spa. There is also a child care facility and video arcade. The facility has parking for 13,000 automobiles, valet parking, a parking area for large vehicles and tour buses, and a 20-pump gasoline station and convenience center. Gross gaming revenue in CY 2013 was over \$614 million.

PENNSYLVANIA

Parx Casino & Racing



Parx Casino, located in Philadelphia, is the largest gaming complex in Pennsylvania with 165,000 square feet of gaming space that features 3,500 slot machines, 140 live table games, a poker room with 60 poker tables, live racing, and simulcast. The casino also includes 8 restaurants and 3 bars. Located at the facility is Parx Racing, which features live thoroughbred racing and is home to Pennsylvania's two premier Thoroughbred races, the Pennsylvania Derby and the Fitz Eugene Dixon Cotillion Handicap. The casino's gross gaming

revenue in CY 2013 was over \$368 million.



Mohegan Sun at Pocono Downs



Mohegan Sun at Pocono Downs is located on a 400-acre site in Wilkes-Barre, Pennsylvania. In November 2006, the facility became the first Pennsylvania location to offer slot machine gaming and opened its table game and poker operations in July 2010. The facility operates in an approximately 400,000-square-foot building, with 82,000 square feet of gaming space, approximately 2,332 slot machines, 82 table games, an 18-table poker room, and live harness racing and off-track wagering.

The recently constructed hotel consists of 238 guest rooms, 218 standard rooms, 20 suites and a spa called spa. The facility also includes 14 dining options, including two fine dining restaurants, a buffet, and 5 quick service eateries. Gross revenue in CY 2013 was over \$219 million.

Mount Airy Resort & Casino

The Mount Airy Casino Resort (formerly Mount Airy Lodge) is a casino and hotel located in Mount Pocono, Pennsylvania. The casino resort includes a 188 room hotel and a 62,000 square foot casino that features 2,395 slot machines and 74 table games. The resort also includes six restaurants, two night clubs, a lounge, a coffee shop, a spa and salon, and an 18-hole golf course. Gross gaming revenue in CY 2013 was nearly \$142 million.



3. Methodology

The market and impact analyses in this report are based on well-established demand analysis techniques that are commonly utilized for forecasting visits and revenues at casinos in the United States. The analysis and conclusions are derived from a custom designed gravity model. The inputs to the model include public secondary data sources for population (U.S. Census), disposable personal income (U.S. Bureau of Economic Analysis), and drive times between different locations (MS MapPoint).

3.1 DEFINITIONS

Many specialized terms and concepts are unique to the gaming industry. These terms include:

- **Handle** – the total amount of money and tokens *bet* during the course of a day, month, or year. It does *not* measure the amount of money won or lost by a patron, but measures the velocity of money. For example, if a casino patron starts the evening with an initial stake of \$100, loses \$75 of it, then wins back \$150, and continues to successively win and lose money over the course of an evening, then the amount actually wagered by the patron could be \$500, \$1,000, \$2,000, or more over several hours. However, if at the end of the evening the patron leaves with \$20 of their original \$100 gambling stake, then over the course of the evening the patron lost \$80. The \$80 would be recorded by the casino as the “win” (see below) from that patron, while the total amount *wagered* during the evening would be the handle.
- **Drop** – the total amount of cash and other negotiable instruments that are taken by the dealer at a table game and placed into the drop box in exchange for chips or the actual amount of cash inserted into a slot machine. Drop is different from handle, since it is the initial stake put at risk by a player and not the total amount wagered by a patron (and a patron may “cash out” and not wager the total drop).
- **Payout** – the amount of money returned to casino gamblers from the handle or wager. Resort casinos in non-traditional jurisdictions usually return from 90% to 93% of the total amount wagered (handle) on slot machines each month to casino gamblers.¹³ The average payout on table games varies by the type of game, but it is generally 82% to 85% on most games, although the payout on particular games can fluctuate from month to month depending on the skill and luck of players.
- **Win or Hold** – the amount of money retained by a casino from the handle wagered by patrons. Resort casinos in non-traditional jurisdictions usually retain 7% to 10% of the total amount wagered (handle) on slot machines each month by casino gamblers. Resort casinos in non-traditional jurisdictions usually win 15% to 18% of the total amount dropped or paid in commissions at table games each month by casino gamblers, although this number can vary.

¹³ Non-traditional casino gaming jurisdictions include all states other than Nevada and New Jersey.



- **Gross Gaming Revenue (GGR)** – the total amount of gaming revenue (win) retained by the casino during a day, month, or year, including the value of promotional allowances. GGR is the figure most commonly used to determine what a casino, racetrack, lottery, or other gaming operation earns *before* taxes, salaries, and other expenses are paid. GGR is the equivalent of “sales” in other retail and service industries and should not be confused with “profit.” GGR is the revenue base for levying gaming taxes, although different jurisdictions may have different treatments of promotional allowances (see below).
- **Non-Gaming Revenue (NGR)** – the total amount of sales by non-gaming operations, such as a hotel, retail outlets, food and beverage outlets, convention and meeting space, golf course, and spa, including the value of promotional allowances.
- **Gross Revenue** – the total revenue retained by a casino from both its gaming (GGR) and non-gaming operations (NGR).
- **Operating Revenue** – the total revenue retained by a casino from both its gaming (GGR) and non-gaming operations (NGR) after subtracting promotional allowances.
- **Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)** – operating revenue minus operating expenses. EBITDA does not include deductions for interest expense, principal payments, depreciation, or management and development fees.¹⁴
- **Propensity to Gamble** – the percentage of the adult population that gambles at least once per year and the average number of visits per year to casinos by those who gamble.
- **Promotional Allowances** – complimentary food and beverage, hotel, retail, entertainment, and other services provided to casino patrons. The retail value of these complimentary items is included in gross revenues and then deducted as promotional allowances to arrive at net or operating revenue.

3.2 GRAVITY MODEL

Gravity modeling is the most reliable and commonly used method for estimating the demand and competitive impact of casinos in a specific market area. Gravity modeling is based on a modified version of Sir Isaac Newton’s Law of Gravitation, which has been in use since 1931 when Professor William J. Reilly of the University of Texas introduced his Law of Retail Gravitation to predict the movement of people, commodities, and sales (money) between competing commercial centers (see Appendix B). Newton’s Law of Gravitation states that the gravitational force between two objects is proportional to the product of their masses and inversely proportional to the square of the distance between the two objects. William J. Reilly’s restatement of this principle as the Law of Retail Gravitation states that larger retail facilities (i.e., those with greater mass) will have larger spheres of attraction -- or a greater gravitational force -- than smaller facilities of a comparable type. The Law of

¹⁴ Management and development fees are incurred by many tribal casinos.



Retail Gravitation states that the “Break Point” (BP) at which a consumer will choose one comparable facility over another is equal to the Distance (d) between the two facilities, divided by 1 (a constant) plus the Square Root of the size of Place One (p_1) divided by the size of Place Two (p_2) (see Equation 1):

Equation 1

$$\text{BP} = \frac{d}{1 + \sqrt{p_1/p_2}}$$

Reilly's Law assumes that the geography of an area is flat without any rivers, roads, or mountains that would alter a consumer's decision about where to purchase a particular good or service. However, since Reilly first introduced the Law of Retail Gravitation, it has been recognized that geography, road quality, and accessibility (i.e., convenience) do affect a consumer's decision about what facilities to patronize, especially when they are comparable in scale, quality, and product offerings. Consequently, many gravity models, including the one utilized in this report, use functional distance by substituting estimated drive times for mileage. This is an important modification, because casino patrons in local and regional markets are highly sensitive to drive time, as well as position availability¹⁵ and the range of gaming and non-gaming amenities offered by a casino.¹⁶

In addition, since 1931, the basic gravity model has been modified by researchers in many ways with specific adaptations to account for the levels of retail gravitation attributable to different types of facilities (e.g., regional malls, theme parks, casinos) and to incorporate empirical behavioral research that specifies this relationship with greater precision for different types of facilities and for different geographic jurisdictions (e.g., behavioral surveys of the propensity to gamble). With these modifications to the basic gravity model, a casino's ability to attract patrons and spending can be reliably estimated by incorporating data on the number of people living at different distances from the casino, their propensity to gamble at various distances, and the percentage of disposable personal income that will be allocated for casino spending by different households.

The gravitational force of a casino – all things being equal -- is in inverse proportion to its functional distance from population (i.e., potential customers). In other words, if one doubles the distance of

¹⁵ Position availability refers to a patron's ability to find a place at their preferred game. Thus, if a slot machine player repeatedly finds that a local casino's gaming devices are occupied, and that there is a long wait time to find a position at their preferred device, they will often be willing to travel a longer distance to a larger facility to insure that a position is available, since the “time to position” (i.e., drive plus wait) is essentially the same or shorter, despite the longer initial drive time.

¹⁶ Many casino patrons are attracted to the general atmosphere and physical attractiveness of facilities or they are attracted by the presence of non-gaming amenities, e.g., nightclubs, concerts, gourmet dining, spas, golf, etc. National survey research (American Gaming Association, 2013) documents that 26% of a resort casino's customers never or rarely gamble when visiting a casino, but visit the facility for its other forms of entertainment and recreation.



an individual's residence from a casino, visitations to the casino decline in inverse proportion to that distance, although this mathematical relationship can be modified in gravity models by incorporating empirically-based behavioral data, or players club customer data, given it has been documented that a casino's gravitational force is "not always according to Reilly" (Cummings 2006). Normally, however, the further the distance from a casino, the less likely residents are to visit it (unless there is no alternative), and those who do visit it will visit it less frequently. It has generally been found that while patrons who live further away from a casino will visit it less often, they are likely to spend more per visit, since they will generally stay longer and spend on a wider range of amenities. As competing casinos get closer to residents, one eventually reaches a Break Point, where the retail gravitation of the competing facility exerts greater force over potential patrons and customer visits and revenues shift toward the competing facility.

The size (mass) of a retail facility is a critical element in any casino's ability to attract customers in a competitive environment. Most gravity models measure a casino's mass exclusively in terms of gaming positions.¹⁷ However, it is known that customer decisions about competing facilities are also influenced by the types of gaming options available (i.e., video poker terminals, slot machines, table games, poker, bingo, keno), parking availability, and the availability of non-gaming amenities, such as a hotel, spa, entertainment venues, retail outlets, food and beverage offerings, a golf course, etc. While non-gaming entertainment and resort amenities are not usually incorporated into most gravity models, the model used for this analysis in this report explicitly and transparently incorporates these amenities into its calculation of gravity factors.

A Master Database consisting of 4,932 communities in New York, Connecticut, Massachusetts, New Jersey, and Pennsylvania was built to analyze the gaming market area for the proposed Caesars New York casino and its potential displacement impact on existing gaming facilities. The Master Database includes data by town and city on total population, the adult population (age 21+), per capita income, total income, disposable personal income (DPI), and drive times to each gaming facility in the five states included in the database. Drive times are based on geo-codes for the actual address of each gaming facility. The initial Master Database contains 340,308 discrete data points.

The Master Database was sorted to exclude communities beyond a 2½ hour drive time from Woodbury, New York, since it is assumed that patrons visiting a gaming facility from outside a 2½ hour drive time will do so primarily as the result of non-gaming related travel for leisure or business purposes. These potential visitors are classified as out-of-market tourists for purposes of the analysis, rather than as regular patrons of the proposed facility, although they are incorporated into the gravity model. The initial gravity model developed from this database relies on reasonable and conservative assumptions about the propensity to gamble at different functional distances, as well as gaming expenditures as a ratio of DPI at different functional distances.

¹⁷ One slot machine equals one gaming position, while one table game is normally six positions because it can accommodate multiple players.



4. Assumptions

The proposed Caesars New York casino's market potential will depend on a variety of factors beyond the market area's demographic characteristics, including but not limited to:

- The quality of the physical property (see Figure 4);
- The quantity and types of gaming machines available;
- The quantity and types of table games available;
- Location and accessibility of the property;
- The quality and range of non-gaming amenities offered on site;
- Customer service levels;
- Marketing programs and promotional allowances;
- Proximity to major population bases;
- Levels of disposable personal income in the market area;
- The regional population's propensity to gamble; and
- Existing and future competition in the market area.¹⁸

The amenities, location, and quality of the proposed Caesars New York casino are described in Section 2.2. In addition to the physical characteristics of the proposed resort casino and hotel, the market impact analysis makes several assumptions about the casino gaming market in New York and about the proposed facility. These assumptions are that:

- All things being equal, proximity to a casino is a major factor in choosing to patronize that gaming venue. Given the choice between comparable facilities, most casino patrons will normally visit the nearest comparable casino.
- Drive times of up to two hours and more (one way) are acceptable to persons who visit resort casinos, although the propensity to gamble at resort casinos increases with proximity and declines with distance and drive time.
- If the option of casino gambling is made available, then a known average percentage of the population will patronize casinos as a form of entertainment. Therefore absent local opportunities, some residents will opt not to gamble, while others will travel further to locations that offer casino gaming.
- Substantial numbers of New York residents already gamble at casinos in New York, Connecticut, New Jersey, and Pennsylvania,¹⁹ and the average propensity to gamble

¹⁸ The gravity model indicates that existing competitors to the proposed Caesars New York casino include Empire City Casino at Yonkers Raceway, Resorts World Casino New York, and Monticello Casino & Raceway in New York; Mohegan Sun Pocono and Mt. Airy Resort Casino in Pennsylvania; a planned MGM casino in Springfield, Massachusetts, and a proposed casino in Catskills, New York. The proposed Caesars New York casino will also compete to a lesser degree with the 11 casinos in Atlantic City and with Foxwoods Resort Casino and Mohegan Sun Casino in Connecticut, which have market areas that extend into New York.



will increase as new facilities are added in the region until the market reaches saturation.²⁰

- The proposed Caesars New York casino:

- will be a \$720.0 million investment that is well-designed and attractive to potential customers, and which will be consistent with the Caesars brand;²¹
- will open January 1, 2017 with a fully built out gaming facility that will include 2,600 slot machines, 190 table games, and 50 poker tables, a 300 room hotel, as well as entertainment venues, meeting facilities, multiple food and beverage outlets, and retail services (see Table 2);
- will operate at 75% of its full potential in fiscal year FY 2017 (Year 1),²² 92% in FY 2018 (Year 2), and 100% in FY 2019 (Year 3) as it markets the facility to a regional and national customer base, and as international tourists become aware of the facility.
- will experience a decline in revenues in Year 8 (FY 2024), Year 9 (FY 2025), and Year 10 (FY 2026) if a new casino is authorized in New York City and ramps up its operations during this time, and
- will be aggressively marketed within its Designated Market Area (DMA), be well operated by its owners and management, and will benefit from the competitive advantage provided by its industry-leading Total Rewards loyalty program.

¹⁹ The Consultant conducted a proprietary study in 2012, which found that New York residents account for approximately \$2.0 billion of the \$3.0 billion spent annually at in-state gaming facilities. New York residents also spent approximately \$3.8 billion at out-of-state casinos in Connecticut, New Jersey, Pennsylvania, and Nevada. New York residents account for 22% of all visits to Atlantic City casinos, 12% of all visits to Connecticut casinos, and 17% of visits to the four Pennsylvania casinos on New York's border. New York has historically been one of the top ten feeder markets to Las Vegas (Harrah's 2006).

²⁰ Shim and Seigel (1995, 306) define market saturation as "the point of a product life cycle where the market has been completely filled so that no more sales for goods and services can be taken up," i.e., as the point where supply and demand are in equilibrium. In 2012, New York residents spent approximately 0.0064% of disposable personal income on casino gambling at all gaming venues combined (i.e., in-state and out-of-state), which is above the national average of 0.0054%, but below the all-time 2006 high water mark of 0.70%.

²¹ Figure provided by Caesars Entertainment Operating, Inc.

²² Caesars New York will operate at 75% of its full capacity in Year 1, but it will only be open for one-half of that fiscal year (FY 2017).

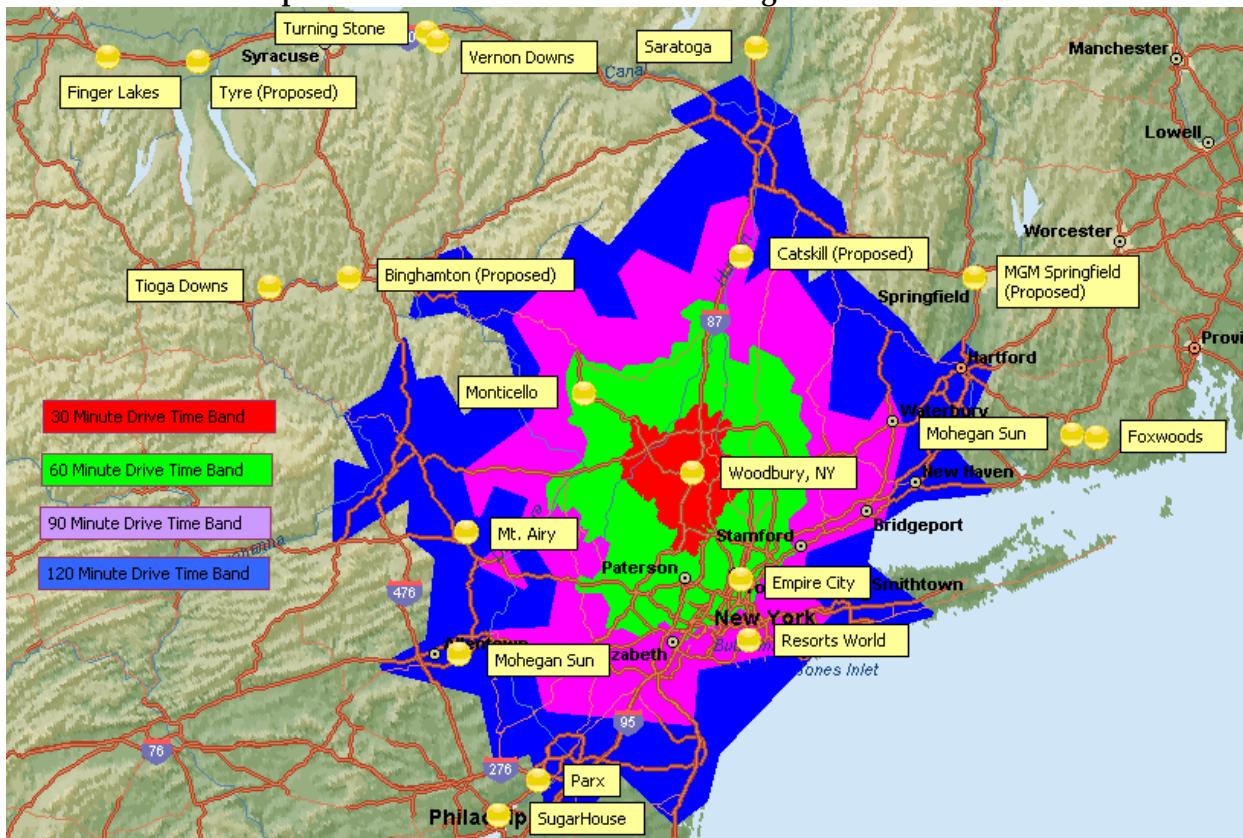


5. Analysis and Results

5.1 DESIGNATED MARKET AREA

The Designated Market Area (DMA) for the proposed Caesars New York casino is differentiated into primary, secondary, and tertiary market areas. The primary market area is defined as a drive time of 0 to 60 minutes to the proposed facility. The secondary market area is defined as a drive time of 61 to 120 minutes, while the tertiary market area is defined as a drive time of 121 minutes or more, including out-of-market tourists who visit the facility while staying in the region for other business or leisure activities (see Figure 4).²³

Figure 4
Proposed Caesars New York Casino Designated Market Area



5.2 MARKET POTENTIAL OF THE PROPOSED CAESARS NEW YORK CASINO

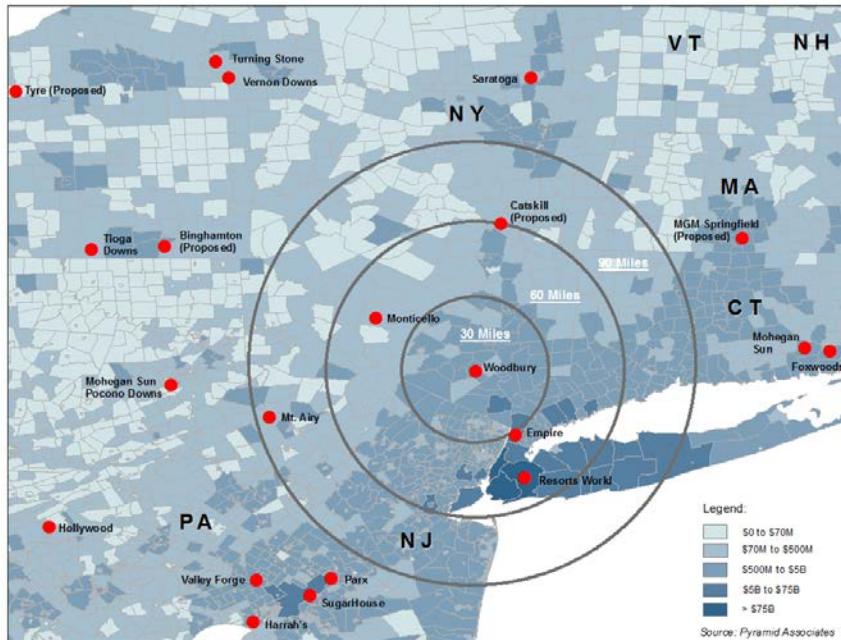
There are 32.8 million adults (age 21+) living in the proposed Caesars New York casino's Designated Market Area (DMA) and these individuals currently have nearly \$1.6 trillion in disposable personal income (DPI) (see Table 4). The proposed Caesars New York will be located adjacent to one of the most income rich corridors in the United States, which includes residents of Manhattan and Long Island, southwestern Connecticut, northern New Jersey, and northeastern Pennsylvania (see Figure 5). It also will be strategically located to recapture a significant share of gaming revenue which is

²³ Drive times were estimated with MS MapPoint.



currently spent by New York residents in adjacent states, as well as to capture new revenue from the residents of these same states, who will find Caesars New York either more attractive or more convenient than their existing gaming options.

Figure 5
Distribution of Disposable Personal Income



Proximity to New York City

Given the proposed casino's proximity to New York City, and its location near Woodbury Common (one of the largest premium outlet centers in the world), the gravity model includes an out-of-market "tourism factor" to account for tourists and business travelers that are not ordinarily captured by a standard gravity model. New York City, which is located at the edge of Caesars New York's primary market area, is one of the nation's leading destinations for tourist and business travelers. In 2012, approximately 52 million U.S. and international tourists visited New York City, with the largest foreign spenders coming from the United Kingdom, Brazil, Japan, and China. Many of these leisure and business travelers can be induced to stay at Caesars New York or to make a day trip to the gaming facility during their stay in New York City.

Woodbury Common Premium Outlets

Another significant factor in Caesars New York's ability to generate additional visits from the city's tourist and business travelers is the fact that it will be located next to Woodbury Common Premium Outlets. By the time Caesars New York opens in early 2017, Woodbury Common will have 240 stores in 900,000 square feet of retail space, which makes it one of the largest contiguous outlets in the world (Taylor 2012).²⁴ Woodbury Common draws 13 million visitors per year and it is reported that 40% of these visitors are foreign tourists, primarily from Japan, China, Brazil, the United

²⁴ These dimensions will be effective in 2016 following an on-going \$100 million expansion of Woodbury Common.



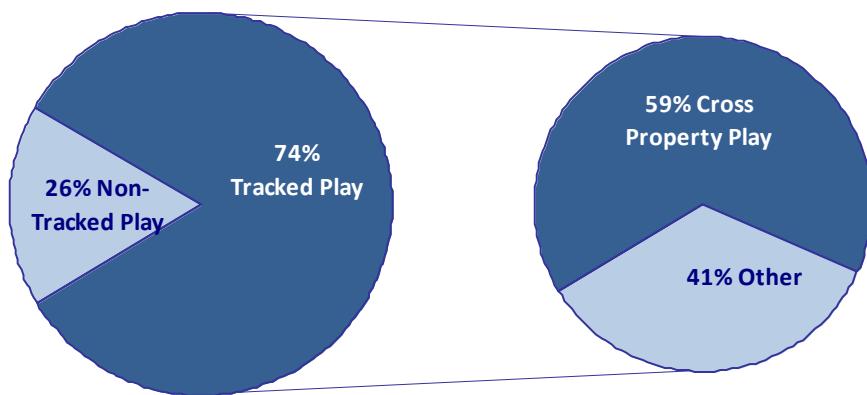
Kingdom, and France (Rife 2011). The stores in Woodbury Common reported 2012 annual sales of \$1.3 billion.

Importantly, visitors have easy access to Woodbury Common by automobile, Metro North train service, New York City buses, and daily luxury coaches that offer direct service to Woodbury Common from multiple locations in New York City. This existing visitor base arrives at Woodbury Common primarily for the purpose of spending money on luxury goods and services and, thus, it constitutes a premium “out-of-market” customer base that is not ordinarily captured by standard gravity models. The gravity model operationalized in this analysis incorporates a tourism factor of 18.5% to the regional resident customer base, which equals 523,460 additional annual visits. This average level of visitation can be achieved if Caesars New York induces only 4.3% of the existing Woodbury Common customer base to also visit the casino.

Total Rewards Premium

Caesars Entertainment, Inc.’s player club – Total Rewards – is one of the largest player clubs in the world with 46 million total members. Total Rewards brings a documentable financial premium to the proposed Caesars New York. Caesars Entertainment, Inc. owns or manages 34 casinos in 12 U.S. states and players visit these casinos nearly 75 million times per year.²⁵ Seventy-four percent (74%) of the dollar value spent at these casinos each year is “tracked play,” which means that a large majority of the gross gaming revenue at Caesars’ owned and operated casinos is generated by Total Rewards members (see Figure 6). More importantly, as also shown in Figure 6, fifty-nine percent (59%) of the tracked play is cross-property play, which means that well over half of all casino play at Caesars owned and operated properties is by players who are visiting and playing at a casino other than their “home” casino.

Figure 6



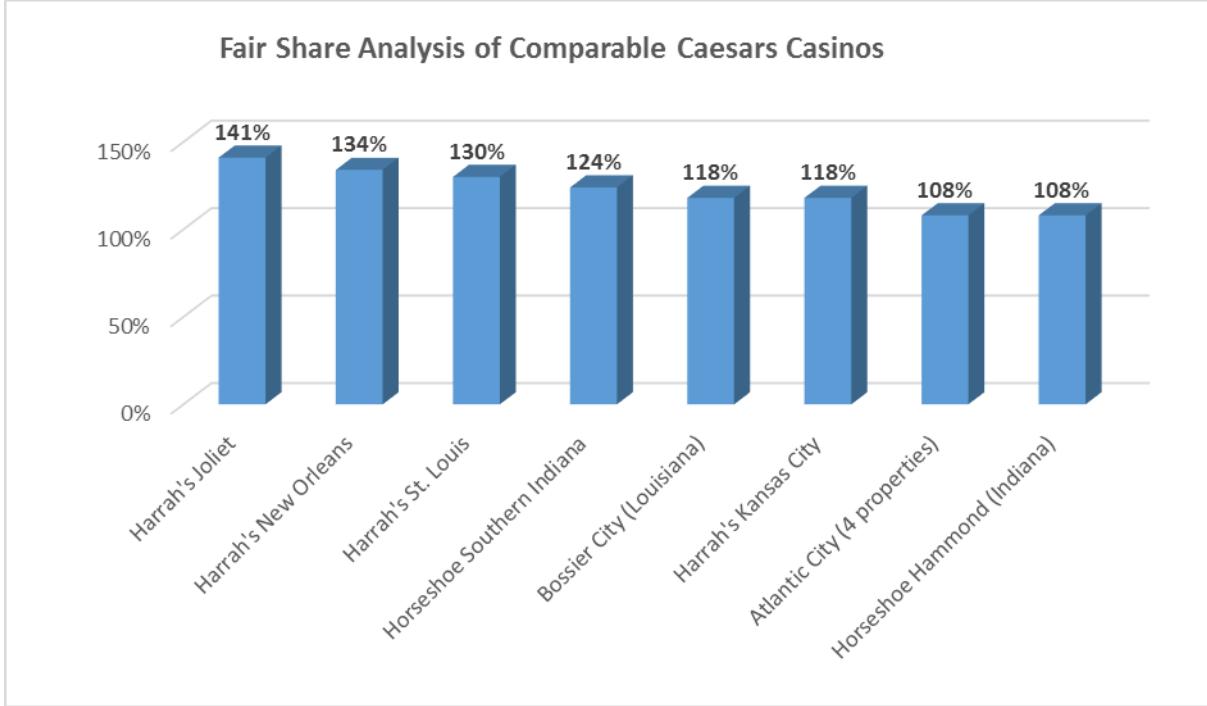
Source: Caesars Entertainment, Inc. (2014).

²⁵ See, <http://www.totalrewards.com/site-map.html>.



The potential premium Total Rewards brings to a Caesars New York casino is documented by the performance of comparable casinos in the highly competitive Mid-Western markets, where out-of-market Total Rewards players consistently allow Caesars owned casinos to capture more than their “fair share” of casino revenues in local and regional markets (see Figure 7).²⁶ On average, Caesars owned properties capture 22% more gross gaming revenue than a fair share analysis would anticipate with all things being equal. This player premium is incorporated into the gravity model’s out-of-market tourism factor.

Figure 7



The gravity model operationalized for the proposed Caesars New York casino assumes three different, but reasonable ranges for the propensity to gamble and spend per visit to calculate average-, high-, and low-case scenarios for gross gaming revenue, non-gaming revenue, gross revenue, and operating revenue.²⁷

²⁶ Fair share analysis is a widely accepted method for comparing a casino’s performance to its competitors in a local or regional market. Fair share analysis compares the gross gaming revenues (GGR) a casino should capture in a local or regional market based on its percentage of the total gaming positions in that market. If a casino has 25% of the total gaming positions in a gaming market then its “fair share” of GGR is 25% of the total GGR generated in that market and it actually captures 25% of total GGR then it has captured 100% of its fair share. If the same casino actually captures 30% of the market’s GGR then it has captured 120% (30/25) of its fair share.

²⁷ The Consultant has based the various scenarios partly on the percentage of DPI spent on casino gaming nationally at the peak (2006) and trough (2009) of the last business cycle and partly on confidential and proprietary data specific to New York on residents’ propensity to gamble at various facilities in New York, and the frequency of visits to casinos in Connecticut, New Jersey, and Pennsylvania.



Average-Case Scenario

The average case scenario casino projects gross gaming revenue of \$750.7 million in its first stabilized year of operations, which is 2019 (Year 3) under an average scenario. Under this same scenario, the gravity model generates a customer base of 2.2 million visitors, 11.1 million annual visits, with an average of 5 visits per year per visitor. The gravity model indicates that the proposed Caesars New York casino will generate approximately 73% of its gross gaming revenue from within its primary market area (0-60 minutes), although a substantial portion of this revenue (57%) will come from the New York City area and thus constitutes a net gain in economic activity for the local community and county. Another 27% of the proposed casino's gross gaming revenue will be generated by visitors who travel more than one hour to reach the casino, including out-of-state visitors and foreign visitors from out of market (see Table 5).

Table 5

CAESARS NEW YORK: TEN YEAR PROJECTED REVENUE STATEMENT (AVERAGE SCENARIO)										
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GAMING REVENUE:										
Slots	\$ 206,057,729	\$ 506,923,934	\$ 548,025,874	\$ 564,466,651	\$ 581,400,650	\$ 598,261,269	\$ 615,012,585	\$ 428,048,759	\$ 390,808,517	\$ 380,647,495
Tables	\$ 71,414,528	\$ 175,687,336	\$ 189,932,255	\$ 195,630,223	\$ 201,499,129	\$ 207,342,604	\$ 213,148,197	\$ 148,351,145	\$ 135,444,596	\$ 131,923,036
Poker	\$ 4,798,605	\$ 11,805,078	\$ 12,762,246	\$ 13,145,114	\$ 13,539,467	\$ 13,932,112	\$ 14,322,211	\$ 9,968,259	\$ 9,101,020	\$ 8,864,394
Gross Gaming Revenue	\$ 282,270,861	\$ 694,416,348	\$ 750,720,376	\$ 773,241,987	\$ 796,439,247	\$ 819,535,985	\$ 842,482,993	\$ 586,368,163	\$ 535,354,133	\$ 521,434,925
No. Slots	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
No. Slots	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200
No. Tables	190	190	190	190	190	190	190	190	190	190
No. Poker Tables	50	50	50	50	50	50	50	50	50	50
Slot Win Per Day (2,600)	\$ 433	\$ 534	\$ 577	\$ 595	\$ 613	\$ 630	\$ 648	\$ 451	\$ 412	\$ 401
Slot Win Per Day (3,200)	\$ 352	\$ 434	\$ 469	\$ 483	\$ 498	\$ 512	\$ 527	\$ 366	\$ 335	\$ 326
Table Win Per Day	\$ 2,054	\$ 2,533	\$ 2,739	\$ 2,821	\$ 2,906	\$ 2,990	\$ 3,074	\$ 2,139	\$ 1,953	\$ 1,902
Poker Win Per Day	\$ 524	\$ 647	\$ 699	\$ 720	\$ 742	\$ 763	\$ 785	\$ 546	\$ 499	\$ 486
NON-GAMING REVENUE										
Hotel Lodging	8,118,900	20,301,300	22,027,020	22,232,880	22,335,810	22,438,740	23,056,320	20,952,825	19,561,080	18,928,170
Food & Beverage	22,863,940	56,247,724	60,808,350	62,632,601	64,511,579	66,382,415	68,241,122	47,495,821	43,363,685	42,236,229
Other	9,032,668	21,526,907	23,272,332	23,970,502	24,689,617	25,405,616	26,116,973	18,177,413	16,595,978	16,164,483
GROSS REVENUE	\$ 322,286,369	\$ 792,492,279	\$ 856,828,078	\$ 882,077,970	\$ 907,976,253	\$ 933,762,755	\$ 959,897,408	\$ 672,994,222	\$ 614,874,876	\$ 598,763,807
Less: Promotional Allowances	\$ 26,427,482	\$ 64,984,367	\$ 70,259,902	\$ 72,330,394	\$ 74,454,053	\$ 76,568,546	\$ 78,711,587	\$ 55,185,526	\$ 50,419,740	\$ 49,098,632
OPERATING REVENUE	\$ 295,858,886	\$ 727,507,912	\$ 786,568,176	\$ 809,747,576	\$ 833,522,200	\$ 857,194,209	\$ 881,185,820	\$ 617,808,696	\$ 564,455,136	\$ 549,665,175

Note: 1. FY 2014 to FY 2026 in constant 2014 dollars. 2. FY 2017 figures are for one-half year (Jan. 1, 2017 thru June 30, 2017). 3. Other includes retail, spa, entertainment, cash access fees, etc.

It is estimated that the proposed Caesars New York casino will also generate an additional \$106.1 in non-gaming revenue (i.e., lodging, food and beverage, and other) in its first stabilized year of operations, which is 2019 (Year 3) under an average scenario. The combination of gross gaming revenue and non-gaming revenue yields total gross revenue of \$856.8 million and less promotional allowances produces \$786.6 million in annual operating revenue (see Table 6).

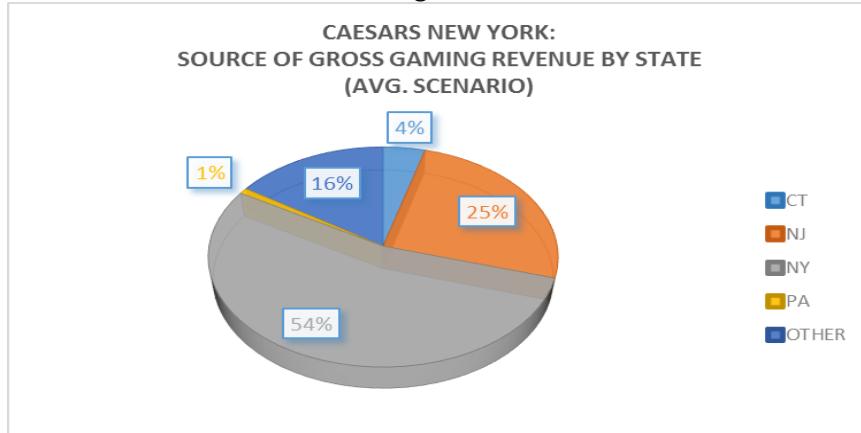


Table 6

CAESARS NEW YORK: TEN YEAR PROJECTED REVENUE STATEMENT (AVERAGE SCENARIO)										
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GAMING REVENUE:										
Slots	\$ 206,057,729	\$ 506,923,934	\$ 548,025,874	\$ 564,466,651	\$ 581,400,650	\$ 598,261,269	\$ 615,012,585	\$ 428,048,759	\$ 390,808,517	\$ 380,647,495
Tables	\$ 71,414,528	\$ 175,687,336	\$ 189,932,255	\$ 195,630,223	\$ 201,499,129	\$ 207,342,604	\$ 213,148,197	\$ 148,351,145	\$ 135,444,596	\$ 131,923,036
Poker	\$ 4,798,605	\$ 11,805,078	\$ 12,762,246	\$ 13,145,114	\$ 13,539,467	\$ 13,932,112	\$ 14,322,211	\$ 9,968,259	\$ 9,101,020	\$ 8,864,394
Gross Gaming Revenue	\$ 282,270,861	\$ 694,416,348	\$ 750,720,376	\$ 773,241,987	\$ 796,439,247	\$ 819,535,985	\$ 842,482,993	\$ 586,368,163	\$ 535,354,133	\$ 521,434,925
No. Slots	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
No. Slots	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200
No. Tables	190	190	190	190	190	190	190	190	190	190
No. Poker Tables	50	50	50	50	50	50	50	50	50	50
Slot Win Per Day (2,600)	\$ 433	\$ 534	\$ 577	\$ 595	\$ 613	\$ 630	\$ 648	\$ 451	\$ 412	\$ 401
Slot Win Per Day (3,200)	\$ 352	\$ 434	\$ 469	\$ 483	\$ 498	\$ 512	\$ 527	\$ 366	\$ 335	\$ 326
Table Win Per Day	\$ 2,054	\$ 2,533	\$ 2,739	\$ 2,821	\$ 2,906	\$ 2,990	\$ 3,074	\$ 2,139	\$ 1,953	\$ 1,902
Poker Win Per Day	\$ 524	\$ 647	\$ 699	\$ 720	\$ 742	\$ 763	\$ 785	\$ 546	\$ 499	\$ 486
NON-GAMING REVENUE										
Hotel Lodging	8,118,900	20,301,300	22,027,020	22,232,880	22,335,810	22,438,740	23,056,320	20,952,825	19,561,080	18,928,170
Food & Beverage	22,863,940	56,247,724	60,808,350	62,632,601	64,511,579	66,382,415	68,241,122	47,495,821	43,363,685	42,236,229
Other	9,032,668	21,526,907	23,272,332	23,970,502	24,689,617	25,405,616	26,116,973	18,177,413	16,595,978	16,164,483
GROSS REVENUE	\$ 322,286,369	\$ 792,492,279	\$ 856,828,078	\$ 882,077,970	\$ 907,976,253	\$ 933,762,755	\$ 959,897,408	\$ 672,994,222	\$ 614,874,876	\$ 598,763,807
Less: Promotional Allowances	\$ 26,427,482	\$ 64,984,367	\$ 70,259,902	\$ 72,330,394	\$ 74,454,053	\$ 76,568,546	\$ 78,711,587	\$ 55,185,526	\$ 50,419,740	\$ 49,098,632
OPERATING REVENUE	\$ 295,858,886	\$ 727,507,912	\$ 786,568,176	\$ 809,747,576	\$ 833,522,200	\$ 857,194,209	\$ 881,185,820	\$ 617,808,696	\$ 564,455,136	\$ 549,665,175

Note: 1. FY 2017 to FY 2026 in constant 2014 dollars. 2. FY 2017 figures are for one-half year (Jan. 1, 2017 thru June 30, 2017). 3. Other includes retail, spa, entertainment, cash access fees, etc.

It is estimated that Caesars New York will generate approximately 54% of its gross gaming revenue from New York residents, 25% from New Jersey residents, 4% from Connecticut residents, 1% from Pennsylvania residents, and 16% from out-of-market residents (i.e., foreign travelers and other states) (see Figure 8). Moreover, a significant portion of the revenue generated from New York residents – approximately \$57 million -- will be recaptured from current expenditures by New York residents at casinos in Connecticut, New Jersey, and Pennsylvania. Thus, approximately 58% of the gross gaming revenue generated by the proposed Caesars New York will be captured from out-of-state residents or recaptured from adjacent states, which constitutes net new gaming expenditures of \$427.9 million. Furthermore, approximately 83% of gross gaming revenue will be generated by residents living outside a 30 minute drive time (see Table 6) of the proposed facility for net new local economic activity of \$640.4 in the first stabilized year of operations (Year 3) (including both gaming and non-gaming revenue).

Figure 8

High-Case Scenario

The high-case scenario casino projects gross gaming revenue of \$987.2 million in its first stabilized year of operations, which is 2019 (Year 3). Under this same scenario, the gravity model generates a customer base of 2.5 million visitors, 13.9 million annual visits, with an average of 6 visits per year per visitor. The gravity model indicates that the proposed Caesars New York casino will generate approximately 73% of its gross gaming revenue from within its primary market area (0-60 minutes), although a substantial portion of this revenue (56%) will come from the New York City area and thus constitutes a net gain in economic activity for the local community and county. Another 27% of the proposed casino's gross gaming revenue will be generated by visitors who travel more than one hour to reach the casino, including foreign visitors from out of market (see Table 7).

Table 7

Proposed Caesars New York Casino Designated Market Area: Demographic and Market Summary for High-Case Scenario						
	Within 0 - 30 Minutes	Within 31 - 60 Minutes	Within 61 - 90 Minutes	Within 91 - 120 Minutes	121 Minutes +	Total
Total Population (2012)	843,182	8,149,617	10,331,769	7,004,349	6,458,210	32,787,127
Adult Population (Age 21+) (2012)	584,126	5,999,550	7,553,399	5,117,217	4,693,745	23,948,037
Disposable Personal Income (2013)	\$41,398,772,667	\$466,828,938,342	\$466,596,873,304	\$325,153,756,954	\$274,465,584,863	1,574,443,926,130
Gross Gaming Revenues (2013 \$ - Avg.)	\$163,108,627	\$557,505,064	\$93,443,698	\$16,257,688	\$156,860,706	987,175,783
GGR as Ratio of DPI	0.0039	0.0012	0.0002	0.0001	N/A	0.0006
Annual Visitors	207,514	1,317,084	226,833	56,289	651,878	2,459,598
Propensity to Gamble (Proposed Catskill)	36%	22%	3%	1%	N/A	10%
Annual Visits	2,697,688	9,219,589	1,134,164	168,868	658,918	13,879,227
Percent of Annual Visits	19%	66%	8%	0.01216696	0.047475122	100%
Average Visits Per Year	13	7	5	3	1	6
Percent of GGR by Functional Distance	17%	56%	9%	2%	16%	100%
Average Spend Per Visit	\$ 60	\$ 60	\$ 82	\$ 96	\$ 238	\$ 71

Sources: U.S. Census (2012), U.S. Bureau of Economic Analysis (2013), Pyramid Associates, LLC (2014). Note: The 121+ minutes drive time band includes an out-of-market factor of 18.5% to account for tourists and business travelers that are not ordinarily captured by a standard gravity model.

It is estimated that the proposed Caesars New York casino will also generate an additional \$132.8 million in non-gaming revenue (i.e., lodging, food and beverage, and other) in its first stabilized year of operations, which is 2019 (Year 3). The combination of gross gaming revenue and non-gaming revenue yields total gross revenue of \$1.1 billion and less promotional allowances yields \$1.0 billion in annual operating revenue (see Table 8).²⁸

Table 8

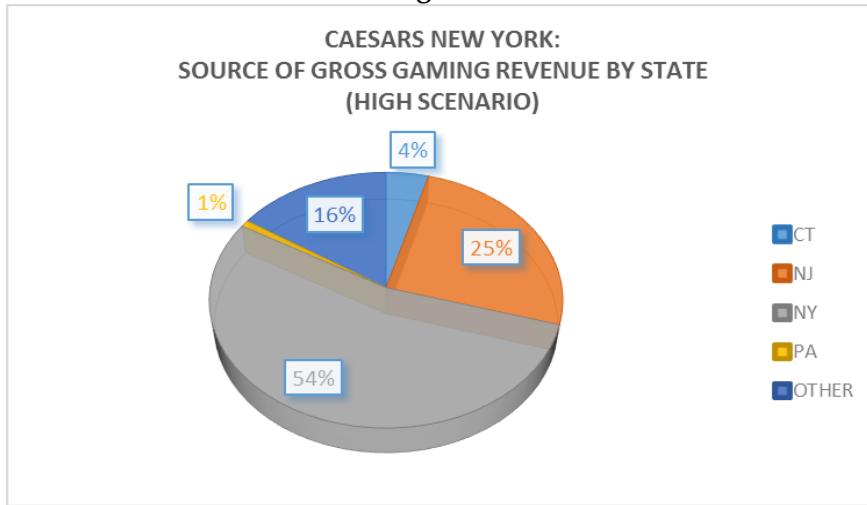
CAESARS NEW YORK: TEN YEAR PROJECTED REVENUE STATEMENT (HIGH SCENARIO)										
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GAMING REVENUE:										
Slots	\$ 270,960,009	\$ 666,590,447	\$ 720,638,321	\$ 742,257,471	\$ 764,525,195	\$ 786,696,426	\$ 808,723,926	\$ 562,871,852	\$ 513,902,001	\$ 500,540,549
Tables	\$ 93,908,058	\$ 231,023,813	\$ 249,755,473	\$ 257,248,137	\$ 264,965,581	\$ 272,649,583	\$ 280,283,772	\$ 195,077,505	\$ 178,105,762	\$ 173,475,012
Poker	\$ 6,310,028	\$ 15,523,339	\$ 16,781,988	\$ 17,285,448	\$ 17,804,011	\$ 18,320,328	\$ 18,833,297	\$ 13,107,975	\$ 11,967,581	\$ 11,656,424
Gross Gaming Revenue	\$ 371,178,094	\$ 913,137,599	\$ 987,175,783	\$ 1,016,791,056	\$ 1,047,294,788	\$ 1,077,666,337	\$ 1,107,840,994	\$ 771,057,332	\$ 703,975,344	\$ 685,671,985
No. Slots	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
No. Slots	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200
No. Tables	190	190	190	190	190	190	190	190	190	190
No. Poker Tables	50	50	50	50	50	50	50	50	50	50
Slot Win Per Day (2,600)	\$ 569	\$ 702	\$ 759	\$ 782	\$ 806	\$ 829	\$ 852	\$ 593	\$ 542	\$ 527
Slot Win Per Day (3,200)	\$ 463	\$ 571	\$ 617	\$ 635	\$ 655	\$ 674	\$ 692	\$ 482	\$ 440	\$ 429
Table Win Per Day	\$ 2,701	\$ 3,331	\$ 3,601	\$ 3,709	\$ 3,821	\$ 3,932	\$ 4,042	\$ 2,813	\$ 2,568	\$ 2,501
Poker Win Per Day	\$ 690	\$ 851	\$ 920	\$ 947	\$ 976	\$ 1,004	\$ 1,032	\$ 718	\$ 656	\$ 639
NON-GAMING REVENUE										
Hotel Lodging	\$ 8,118,900	\$ 20,301,300	\$ 22,053,300	\$ 22,261,350	\$ 22,365,375	\$ 22,469,400	\$ 23,509,650	\$ 20,952,825	\$ 19,753,800	\$ 19,624,590
Food & Beverage	\$ 29,805,601	\$ 73,324,949	\$ 79,270,215	\$ 81,648,322	\$ 84,097,771	\$ 86,536,607	\$ 88,959,632	\$ 61,915,904	\$ 56,529,220	\$ 55,059,460
Other	\$ 11,840,581	\$ 29,129,089	\$ 31,490,907	\$ 32,435,635	\$ 33,408,704	\$ 34,377,556	\$ 35,340,128	\$ 24,596,729	\$ 22,456,813	\$ 21,872,936
GROSS REVENUE	\$ 420,945,176	\$ 1,035,892,938	\$ 1,119,990,205	\$ 1,153,136,363	\$ 1,187,166,638	\$ 1,221,049,900	\$ 1,255,650,404	\$ 878,522,790	\$ 802,715,178	\$ 782,228,972
Less: Promotional Allowances	\$ 35,359,227	\$ 86,704,239	\$ 93,855,179	\$ 97,785,964	\$ 99,721,998	\$ 103,056,612	\$ 106,102,459	\$ 74,586,585	\$ 67,428,075	\$ 65,707,234
OPERATING REVENUE	\$ 385,583,949	\$ 949,188,699	\$ 1,026,135,026	\$ 1,055,350,399	\$ 1,087,444,640	\$ 1,117,993,288	\$ 1,149,547,945	\$ 803,936,205	\$ 735,287,103	\$ 716,521,738

²⁸ Newer gaming facilities located near a major metropolis, such as Resorts World Casino New York (New York) and Rivers Casino (Illinois) have comparably high win per unit per day.



It is estimated that Caesars New York will generate approximately 54% of its gross gaming revenue from New York residents, 25% from New Jersey residents, 4% from Connecticut residents, 1% from Pennsylvania residents, and 16% from out-of-market residents (i.e., foreign travelers and other states) (see Figure 9). Moreover, a significant portion of the revenue generated from New York residents – approximately \$76 million -- will be recaptured from current expenditures by New York residents at casinos in Connecticut, New Jersey, and Pennsylvania. Thus, approximately 58% of the gross gaming revenue generated by the proposed Caesars New York will be captured from out-of-state residents or recaptured from adjacent states, which constitutes net new gaming expenditures of \$572.6 million. Furthermore, approximately 83% of gross gaming revenue will be generated by residents living outside a 30 minute drive time (see Table 8) of the proposed facility for net new local economic activity of \$830 in the first stabilized year of operations (Year 3) (including both gaming and non-gaming revenue).

Figure 9



Low-Case Scenario

The low-case scenario casino projects gross gaming revenue of \$487.3 million in its first stabilized year of operations, which is 2019 (Year 3). Under this same scenario, the gravity model generates a customer base of 1.8 million visitors, 8.2 million annual visits, with an average of 4 visits per year per visitor. The gravity model indicates that the proposed Caesars New York casino will generate approximately 74% of its gross gaming revenue from within its primary market area (0-60 minutes), although a substantial portion of this revenue (57%) will come from the New York City area and thus constitutes a net gain in economic activity for the local community and county. Another 26% of the proposed casino's gross gaming revenue will be generated by visitors who travel more than one hour to reach the casino, including foreign visitors from out of market (see Table 9).



Table 9

Proposed Caesars New York Casino Designated Market Area: Demographic and Market Summary for Low-Case Scenario						
	Within 0 - 30 Minutes	Within 31 - 60 Minutes	Within 61 - 90 Minutes	Within 91 - 120 Minutes	121 Minutes +	Total
Total Population (2012)	843,182	8,149,617	10,331,769	7,004,349	6,458,210	32,787,127
Adult Population (Age 21+) (2012)	584,126	5,999,550	7,553,399	5,117,217	4,693,745	23,948,037
Disposable Personal Income (2013)	\$41,398,772,667	\$466,828,938,342	\$466,596,873,304	\$325,153,756,954	\$274,465,584,863	1,574,443,926,130
Gross Gaming Revenues (2013 \$ - Avg.)	\$81,554,313	\$278,752,532	\$46,721,849	\$8,128,844	\$72,182,405	487,339,943
GGR as Ratio of DPI	0.0020	0.0006	0.0001	0.0000	N/A	0.0003
Annual Visitors	149,872	1,077,614	189,027	51,172	362,790	1,830,475
Propensity to Gamble (Proposed Catskill)	26%	18%	3%	1%	N/A	8%
Annual Visits	1,648,587	5,288,071	756,110	102,344	367,953	8,163,065
Percent of Annual Visits	20%	65%	9%	0.012537448	0.045075349	100%
Average Visits Per Year	11	5	4	2	1	4
Percent of GGR by Functional Distance	17%	57%	10%	2%	15%	100%
Average Spend Per Visit	\$ 49	\$ 53	\$ 62	\$ 79	\$ 196	\$ 60

Sources: U.S. Census (2012), U.S. Bureau of Economic Analysis (2013). Pyramid Associates, LLC (2014). Note: The 121+ minutes drive time band includes an out-of-market factor of 17.0% to account for tourists and business travelers that are not ordinarily captured by a standard gravity model.

It is estimated that the proposed Caesars New York casino will also generate an additional \$75.3 million in non-gaming revenue (i.e., lodging, food and beverage, and other) in its first stabilized year of operations, which is 2019 (Year 3). The combination of gross gaming revenue and non-gaming revenue yields total gross revenue of \$562.7 million and less promotional allowances yields \$515.5 million in annual operating revenue (see Table 10).

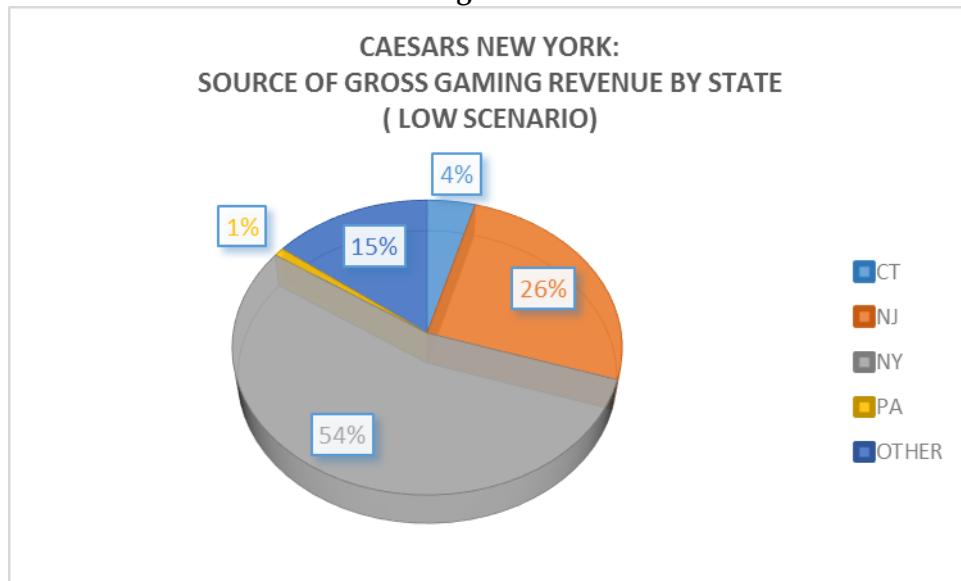
Table 10

CAESARS NEW YORK: TEN YEAR PROJECTED REVENUE STATEMENT (LOW SCENARIO)										
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GAMING REVENUE:										
Slots	\$ 133,765,068	\$ 329,076,297	\$ 355,758,159	\$ 366,430,903	\$ 377,423,830	\$ 388,369,122	\$ 399,243,457	\$ 277,873,446	\$ 253,698,456	\$ 247,102,296
Tables	\$ 46,359,674	\$ 114,049,730	\$ 123,297,006	\$ 126,995,916	\$ 130,805,793	\$ 134,599,161	\$ 138,367,938	\$ 96,304,085	\$ 87,925,629	\$ 85,639,563
Poker	\$ 3,115,077	\$ 7,663,421	\$ 8,284,779	\$ 8,533,322	\$ 8,789,322	\$ 9,044,212	\$ 9,297,450	\$ 6,471,025	\$ 5,908,046	\$ 5,754,437
Gross Gaming Revenue	\$ 183,239,819	\$ 450,789,448	\$ 487,339,943	\$ 501,960,142	\$ 517,018,946	\$ 532,012,495	\$ 546,908,845	\$ 380,648,556	\$ 347,532,132	\$ 338,496,296
No. Slots	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
No. Slots	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200
No. Tables	190	190	190	190	190	190	190	190	190	190
No. Poker Tables	50	50	50	50	50	50	50	50	50	50
Slot Win Per Day (2,600)	\$ 281	\$ 347	\$ 375	\$ 386	\$ 398	\$ 409	\$ 421	\$ 293	\$ 267	\$ 260
Slot Win Per Day (3,200)	\$ 228	\$ 282	\$ 305	\$ 314	\$ 323	\$ 333	\$ 342	\$ 238	\$ 217	\$ 212
Table Win Per Day	\$ 1,333	\$ 1,645	\$ 1,778	\$ 1,831	\$ 1,886	\$ 1,941	\$ 1,995	\$ 1,389	\$ 1,268	\$ 1,235
Poker Win Per Day	\$ 340	\$ 420	\$ 454	\$ 468	\$ 482	\$ 496	\$ 509	\$ 355	\$ 324	\$ 315
NON-GAMING REVENUE										
Hotel Lodging	\$ 7,794,144	\$ 19,399,020	\$ 20,660,460	\$ 20,855,370	\$ 20,952,825	\$ 21,050,280	\$ 22,024,830	\$ 20,481,975	\$ 19,304,850	\$ 19,173,450
Food & Beverage	\$ 14,714,157	\$ 36,198,393	\$ 39,133,397	\$ 40,307,399	\$ 41,516,621	\$ 42,720,603	\$ 43,916,780	\$ 30,566,079	\$ 27,906,830	\$ 27,181,253
Other	\$ 5,845,350	\$ 14,380,183	\$ 15,546,144	\$ 16,012,529	\$ 16,492,904	\$ 16,971,199	\$ 17,446,392	\$ 12,142,689	\$ 11,086,275	\$ 10,798,032
GROSS REVENUE	\$ 211,593,470	\$ 520,767,044	\$ 562,679,945	\$ 579,135,440	\$ 595,981,297	\$ 612,754,577	\$ 630,296,848	\$ 443,839,299	\$ 405,830,087	\$ 395,649,031
Less: Promotional Allowances	\$ 17,773,852	\$ 43,558,202	\$ 47,152,579	\$ 49,110,685	\$ 50,062,429	\$ 51,716,486	\$ 53,260,084	\$ 37,681,957	\$ 34,089,727	\$ 33,234,519
OPERATING REVENUE	\$ 193,819,618	\$ 477,208,842	\$ 515,527,366	\$ 530,024,755	\$ 545,918,868	\$ 561,038,091	\$ 577,036,764	\$ 406,157,342	\$ 371,740,360	\$ 362,414,512

Note: 1. FY 2017 to FY 2026 constant 2014 dollars. 2. FY 2017 figures are for one-half year (Jan. 1, 2017 thru June 30, 2017). 3. Other includes retail, spa, entertainment, cash access fees, etc.

It is estimated that Caesars New York will generate approximately 54% of its gross gaming revenue from New York residents, 26% from New Jersey residents, 4% from Connecticut residents, 1% from Pennsylvania residents, and 15% from out-of-market residents (i.e., foreign travelers and other states) (see Figure 10). Moreover, a significant portion of the revenue generated from New York residents – approximately \$38 million -- will be recaptured from current expenditures by New York residents at casinos in Connecticut, New Jersey, and Pennsylvania. Thus, approximately 58% of the gross gaming revenue generated by the proposed Caesars New York will be captured from out-of-state residents or recaptured from adjacent states, which constitutes net new gaming expenditures of \$282.6 million. Furthermore, approximately 83% of gross gaming revenue will be generated by residents living outside a 30 minute drive time (see Table 10) of the proposed facility for net new local economic activity of \$427.7 million in the first stabilized year of operations (Year 3) (including both gaming and non-gaming revenue).



Figure 10

Performance of Comparable Casinos

The estimated performance of the proposed Caesars New York is comparable to other existing and proposed casinos in similar markets. For purposes of comparison, the Consultant identified existing casinos that are located in or near a major city. For example, Rivers Casino in Illinois is located 33 minutes from Chicago, while the Horseshoe Hammond is located 34 minutes from Chicago. Empire City Casino, which is located in Yonkers, New York is 33 minutes from New York City, while Resort World New York is located in Queens, New York. The Borgata in Atlantic City is a 2 hour drive from New York City and 55 minutes from Philadelphia.

Under the average-, high-, and low-case scenarios, slot machine revenues are estimated to be lower than at Resorts World New York, while they are estimated to be lower (but comparable) to slot machine revenues at Empire City Casino, which are the two most relevant direct comparisons available in the United States. A comparison to the two existing New York City casinos suggests that the estimated high-case scenario for Caesars New York is reasonable and achievable. Similarly, Rivers Casino in Des Plaines, Illinois has a much higher win per unit per day (WPUD) than estimated for Caesars New York, but it illustrates the potential demand for gaming in major metropolitan areas.²⁹ Foxwoods Resort Casino in Ledyard, Connecticut and Mohegan Sun Casino in Montville, Connecticut, which are both located about 2 hours from New York City and Boston, Massachusetts regularly report annual gross gaming revenues of \$800 of \$900 million (see Table 11).

²⁹ Rivers Casino is “capacity constrained” by the state’s gaming law, which limits Illinois casinos to a maximum of 1,200 slot machines.



Table 11

Performance of Comparable Casinos (FY 2013)										
Facility	Location	Slots	Tables	Total	# Slots	# Tables	# Hotel Rooms	WPUD	WPUD	
Rivers Casino Illinois	Des Plains, IL	\$ 306,193,657	\$ 103,895,648	\$ 410,089,305	1,050	48	-	\$ 799	\$ 5,930	
Caesars New York (Low)	Woodbury, NY	\$ 355,758,159	\$ 131,581,785	\$ 487,339,944	2,600	240	300	\$ 375	\$ 1,502	
Horseshoe Hammond	Hammond, IN	\$ 358,143,480	\$ 131,649,665	\$ 489,793,145	3,004	156	-	\$ 327	\$ 2,312	
Hollywood Casino Charles Town	Charles Town, WV	\$ 346,345,642	\$ 153,611,138	\$ 499,956,779	3,200	154	150	\$ 297	\$ 2,733	
Empire City Casino	Yonkers, NY	\$ 559,946,387	NA	\$ 559,946,387	5,327	-	-	\$ 288	-	
Borgata Atlantic City	Atlantic City, NJ	\$ 410,594,439	\$ 187,017,251	\$ 597,611,690	3,276	272	2,802	\$ 343	\$ 1,884	
Caesars New York (Average)	Woodbury, NY	\$ 548,025,874	\$ 202,694,502	\$ 750,720,376	2,600	240	300	\$ 577	\$ 2,314	
Resorts World New York	Queens, NY	\$ 785,128,863	NA	\$ 785,128,863	5,004	-	-	\$ 430	-	
Mohegan Sun Casino	Montville, CT	\$ 595,302,000	\$ 309,966,000	\$ 905,268,000	5,553	317	1,200	\$ 294	\$ 2,679	
Caesars New York (High)	Woodbury, NY	\$ 720,638,321	\$ 266,537,461	\$ 987,175,783	2,600	240	300	\$ 759	\$ 3,043	

Source: Data collected from state regulatory agencies. Note: Table games include poker tables, which are not generally reported separately in public data.

Moreover, as casinos are proposed closer to major cities, estimates of gross gaming revenue in the range forecast for Caesars New York are increasingly common based on regional income demographics, the potential demand for gaming in metropolitan areas, and the potential for enhanced synergies with established patterns of tourism. For example, the MGM National Harbor, which was recently approved by the Maryland Gaming Commission will be located less than half an hour from Washington, D.C. and it is expected to generate third year gross gaming revenue in excess of \$700 million (Du Lac and Wagner 2013). Similarly, it is estimated that gross gaming revenue for a casino located near Boston, Massachusetts will generate from \$800 million to \$1.1 billion in gross gaming revenue by its third or fourth year of operations (Arsenault 2013).³⁰

5.3 COMPETITIVE IMPACT OF PROPOSED CAESARS NEW YORK CASINO

Using the gravity model discussed in Section 3, the competitive impact of the proposed Caesars New York casino was estimated for Empire City Casino at Yonkers Raceway, Resorts World Casino New York, and Monticello Casino & Raceway.³¹ These existing gaming facilities are located within the proposed Caesars New York casino's primary or secondary market area and will therefore compete directly with the proposed casino for some of the same customers. The results for each facility are set forth below.

5.3.1 Empire City Casino at Yonkers Raceway

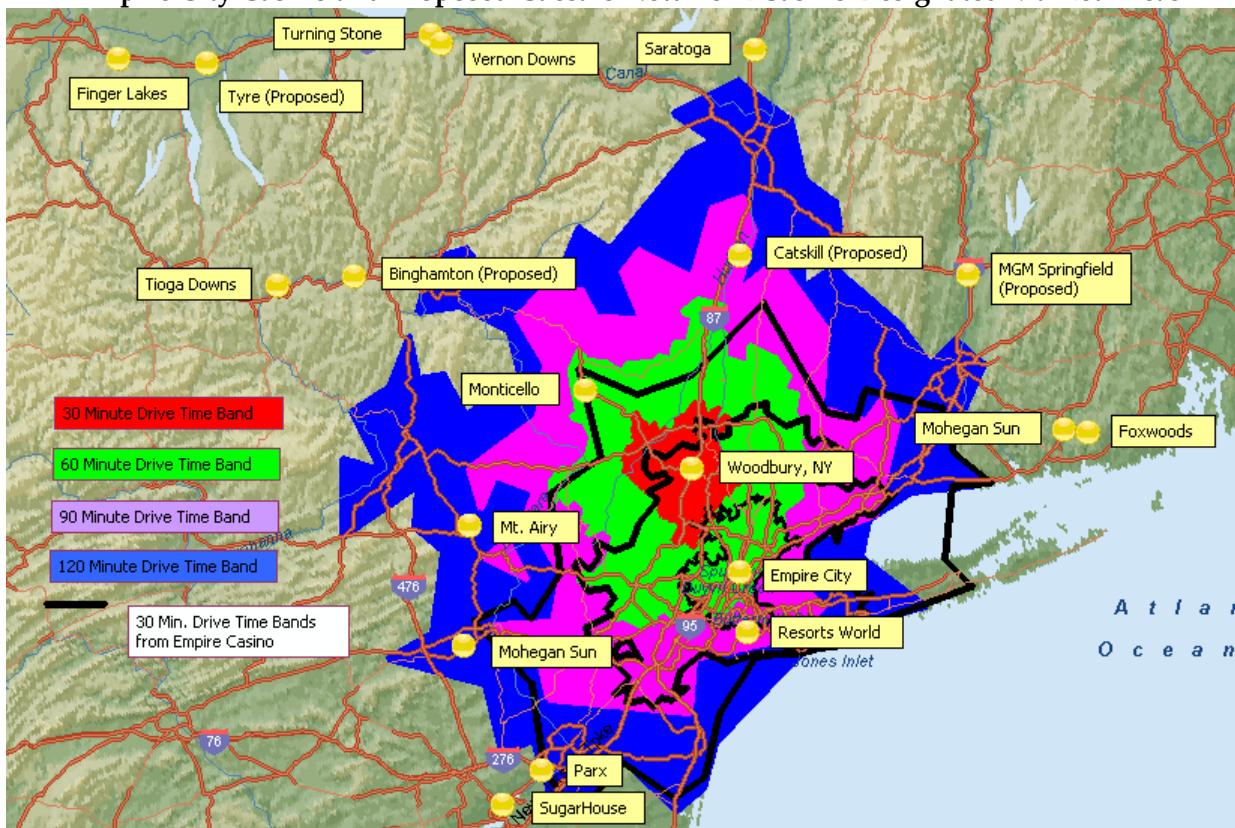
Empire City Casino in Yonkers, New York is located approximately 52 minutes from the proposed Caesars New York casino in Woodbury, New York. Consequently, as Figure 11 illustrates, the two casinos' primary, secondary, and tertiary market areas will overlap to a significant degree. Thus, even though the gravity model assumes that the propensity to gamble will increase within the Caesars New York gaming market, the two casinos will be competing for some of the same customers.

³⁰ "Casino consultants discuss lofty revenue estimates for Suffolk Downs proposal," September 19, 2013 available at <http://www.myfoxboston.com/story/23479169/2013/09/19/casino-consultants-discuss-estimates-for-suffolk-downs>.

³¹ There are six additional race track casinos and five Class III Indian casinos in New York. The Class III Indian casinos are protected in by New York's expanded gaming law with zones of exclusivity, while the other race track casinos are located in other regions of the state. Thus, any competitive impact on those facilities will be due to opening new resort casinos in Region 2 (Capital) and Region 3 (Eastern Southern Tier).



Figure 11

Empire City Casino and Proposed Caesars New York Casino Designated Market Areas

As shown in Table 12, there are nearly 14.6 million adults (age 21+) living in Empire City Casino's Designated Market Area (DMA) and these individuals currently have more than \$1 trillion in disposable personal income (DPI). In FY 2013, Empire City Casino had gross gaming revenue of \$547.2 million. The gravity model generates a customer base of 914,296 visitors and 8.1 million annual visits, with an average of 9 visits per year per visitor. It is estimated that the 30-minute drive-time zone (primary market) generates approximately 65% of Empire City Casino's gross gaming revenue (see Table 12).

Table 12

Empire City Casino Designated Market Area: Demographic and Market Summary, FY 2013 (est.)						
	Within 0 - 30 Minutes	Within 31 - 60 Minutes	Within 61 - 90 Minutes	Within 91 - 120 Minutes	121 Minutes + Total	
Total Population	8,181,697	6,509,563	5,212,348	N/A	N/A	19,903,608
Adult Population (Age 21+)	6,104,071	4,684,041	3,785,232	N/A	N/A	14,573,344
Disposable Personal Income	\$442,711,575,962	\$345,805,240,155	\$252,813,372,510	N/A	N/A	\$1,041,330,188,627
Gross Gaming Revenues (Empire City)	\$354,169,261	\$127,947,939	\$65,105,928	N/A	N/A	547,223,128
GGR as Ratio of DPI	0.0008	0.0004	0.0003	N/A	N/A	N/A
Annual Visitors	488,326	266,990	158,980	N/A	N/A	914,296
Propensity to Gamble (Empire City)	8%	6%	4%	N/A	N/A	N/A
Annual Visits	5,859,908	1,601,942	635,919	N/A	N/A	8,097,769
Percent of Annual Visits	72%	20%	8%	N/A	N/A	100%
Average Visits Per Year	12	6	4	N/A	N/A	9
Percent of GGR by Functional Distance	65%	23%	12%	N/A	N/A	100%

Sources: U.S. Census (2012), U.S. Bureau of Economic Analysis (2013), NY State Gaming Commission (2014), Pyramid Associates, LLC (2014). Note: N/A = not applicable.



5.3.1.1 Market Break Point

For purposes of estimating the proposed Caesars New York casino's market impact on Empire City Casino, the gravity model was adjusted by calculating break points between Yonkers and Woodbury, New York. The Market Break Point is the point at which a casino's ability to attract customers either ends – because a comparable facility is closer – or drops exponentially because a comparable facility is further away, but continues to exert an attraction on customers due to its size and range of offerings. To calculate the actual Market Break Point, it is necessary to determine the comparative size or retail mass of each gaming facility. Table 13 compares the proposed Caesars New York casino to Empire City Casino.³²

Table 13

Gravity Factor: Ratio of Proposed Caesars New York Casino to Empire City Casino				
	No. Slots	No. Tables	Hotel Rooms	Other Amenities
Caesars New York	3,200	190	300	12
Empire City Casino	5,376	0	0	7
Ratio	0.60	2.00	2.00	1.71
Weight	0.64	0.16	0.05	0.15
Gravity Factor	0.38	0.32	0.10	0.26

Equation 2 computes the Gravity Factor, which quantifies the comparative size of these facilities. This calculation is based on the number of slot machines, number of table games, number of hotel rooms, and the number of restaurants and bars, and entertainment and retail venues, with each factor weighted roughly proportionate to its contribution to the percentage of total casino revenues for a typical resort casino. Based on this formula, the proposed Caesars New York casino will have a Gravity Factor of 1.06, compared to Empire City Casino, which means that the two casinos are nearly equal in their ability to draw customers within the designated market area.

Equation 2 (Gravity Factor)

$$(0.60 * 0.64) + (2.00 * 0.16) + (2.00 * 0.05) + (1.71 * 0.15) = 1.06$$

Equation 3 computes the Market Break Point for the proposed Caesars New York casino to be 26 minutes using Reilly's Law of Retail Gravitation. The adjustment for the retail gravity of the competing facilities indicates that the proposed Caesars New York casino will actually be competing for customers in Empire City Casino's primary, secondary, and tertiary market areas and will potentially begin capturing as much as half of Empire City Casino's current customers at a functional distance of 26 minutes from Woodbury.

³² The Consultant has used 3,200 slot machines in calculating the gravity factor, because the Applicant may install that many gaming devices if warranted by revenue performance. This increases the gravity of the proposed Caesars New York and allows the Consultant to calculate the *maximum* possible displacement impact of the proposed casino.



Equation 3 (Break Point)

$$\frac{52 \text{ minutes}}{1 + \sqrt{1.06}} = 26 \text{ minutes}$$

5.3.1.2 Impact on Empire City Casino at Yonkers Raceway's Gross Gaming Revenue

Empire City Casino's gross gaming revenue was projected based on the conservative assumption that its revenue will continue to grow by 2% annually in real dollars (i.e., after inflation).³³ The projections are stated in 2014 dollars. As shown in Table 9, it is estimated that Empire City Casino will achieve gross gaming revenue of \$616.3 million in FY 2019 absent competition from Caesars New York.

It is estimated that at full build out and maturity in FY 2019, Caesars New York will capture a maximum of \$27.4 million in gross gaming revenue (2014 dollars) from Empire City Casino under the average revenue scenario, which is a displacement of 4.4% of Empire City Casino's gross gaming revenues in FY 2019 absent competition from Caesars New York (see Table 14).

Table 14

	Estimated Revenue for Empire City Casino, FY 2013 Thru FY 2023 Competitive Impact of Caesars New York Casino										
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2023	
Empire City Casino (w/o Caesars)	\$ 547,223,127	\$ 558,167,590	\$ 569,330,941	\$ 580,717,560	\$ 592,331,911	\$ 604,178,550	\$ 616,262,121	\$ 628,587,363	\$ 641,159,110	\$ 653,982,292	\$ 667,061,938
Empire City Casino (w/Caesars High)	\$ 547,223,127	\$ 558,167,590	\$ 569,330,941	\$ 580,717,560	\$ 565,831,791	\$ 571,053,399	\$ 579,629,601	\$ 590,785,721	\$ 602,188,345	\$ 608,210,229	\$ 614,292,331
Empire City Casino (w/Caesars Avg.)	\$ 547,223,127	\$ 558,167,590	\$ 569,330,941	\$ 580,717,560	\$ 572,536,322	\$ 579,434,062	\$ 588,897,629	\$ 600,349,536	\$ 612,047,949	\$ 618,168,428	\$ 624,350,113
Empire City Casino (w/Caesars Low)	\$ 547,223,127	\$ 558,167,590	\$ 569,330,941	\$ 580,717,560	\$ 579,081,851	\$ 587,615,974	\$ 597,945,861	\$ 609,686,542	\$ 621,673,728	\$ 627,890,465	\$ 634,169,370

Note: 1. Revenue in 2014 constant dollars. 2. Assumes January 1, 2017 start date for Caesars NY. 3. Assumes 2% annual real growth in GGR through FY 2023 without new gaming supply in New York. 4. Does not include potential impact of a New York City casino after moratorium expires.

It is estimated that at full build out and maturity in FY 2019, Caesars New York will capture a maximum of \$36.6 million in gross gaming revenue (2014 dollars) from Empire City Casino under the high revenue scenario, which is a displacement of 5.9% of Empire City Casino's gross gaming revenues in FY 2019 absent competition from Caesars New York (see Table 14).

It is estimated that at full build out and maturity in FY 2019, Caesars New York will capture a maximum of \$18.3 million in gross gaming revenue (2014 dollars) from Empire City Casino under the low revenue scenario, which is a displacement of 3.0% of Empire City Casino's gross gaming revenues in FY 2019 absent competition from Caesars New York (see Table 14).

5.3.2 Resorts World Casino New York

Resorts World Casino New York is located approximately 88 minutes from the proposed Caesars New York casino in Woodbury, New York. As Figure 12 illustrates, the two casinos will begin

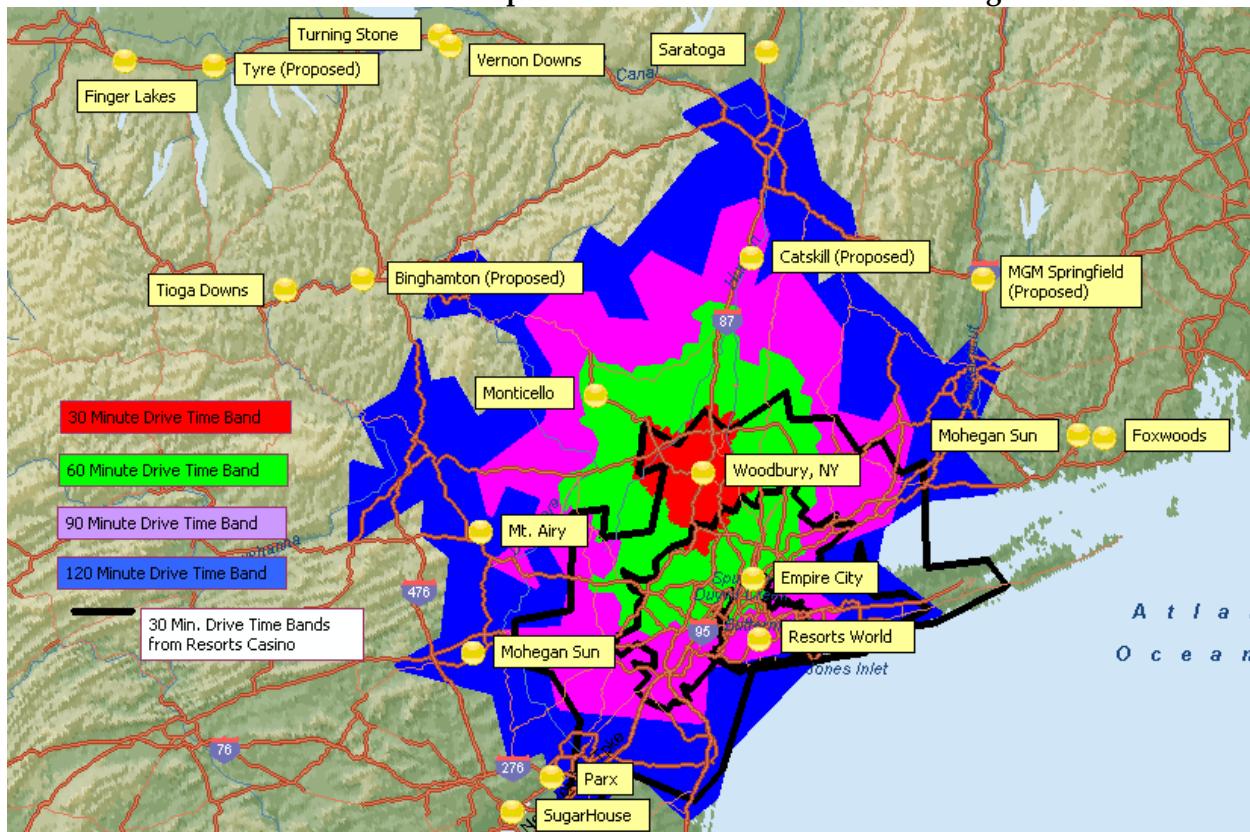
³³ Net terminal income at New York's race track casinos has grown by an annual average of 22% in nominal dollars, although even after discounting the impact of Resorts World Casino New York, most of the state's race track casinos have recorded double-digit growth in net terminal income.



competing for customers in the outer ring of Resorts World Casino's primary market area, although they will primarily compete for customers in their respective secondary market areas. Thus, even though the gravity model assumes that the propensity to gamble will increase within the Caesars New York gaming market area, the two casinos will be competing for some of the same customers.

Figure 12

Resorts World New York Casino & Proposed Caesars New York Casino Designated Market Areas



As shown in Table 15, there are nearly 13.6 million adults (age 21+) living in Resorts World Casino's Designated Market Area (DMA) and these individuals currently have \$980.5 billion in disposable personal income (DPI). In FY 2013, Resorts World Casino had gross gaming revenue of \$792.6 million. The gravity model generates a customer base of nearly 1.3 million visitors and 12.2 million annual visits, with an average of 10 visits per year per visitor. It is estimated that Resorts World Casino 68% of its gross gaming revenue from within its primary market area (0-30 minutes) (see Table 15).



Table 15

Resorts World Casino Designated Market Area: Demographic and Market Summary, FY 2012 (est.)						
	Within 0 - 30 Minutes	Within 31 - 60 Minutes	Within 61 - 90 Minutes	Within 91 - 120 Minutes	121 Minutes +	Total
Total Population	6,922,902	6,972,301	4,608,718	N/A	N/A	18,503,921
Adult Population (Age 21+)	5,183,522	5,031,785	3,338,822	N/A	N/A	13,554,129
Disposable Personal Income	\$371,177,182,082	\$369,586,018,392	\$239,760,092,263	N/A	N/A	980,523,292,738
Gross Gaming Revenues (Resorts World)	\$541,799,578	\$164,465,778	\$86,313,633	N/A	N/A	792,578,989
GGR as Ratio of DPI	0.0015	0.0004	0.0004	N/A	N/A	0.0008
Annual Visitors	673,858	417,638	186,974	N/A	N/A	1,278,470
Propensity to Gamble (Resorts World)	13%	8%	6%	N/A	N/A	9%
Annual Visits	8,760,152	2,505,829	934,870	N/A	N/A	12,200,851
Percent of Annual Visits	72%	21%	8%	N/A	N/A	100%
Average Visits Per Year	13	6	5	N/A	N/A	10
Percent of GGR by Functional Distance	68.4%	20.8%	10.9%	N/A	N/A	100%
Average Spend Per Visit	\$ 62	\$ 66	\$ 92	N/A	N/A	\$ 65

Sources: U.S. Census (2012), U.S. Bureau of Economic Analysis (2013), NY State Gaming Commission (2014), Pyramid Associates, LLC (2014). Note: N/A = not applicable.

5.3.2.1 Market Break Point

Table 16 compares the proposed Caesars New York casino to Resorts World Casino New York.³⁴

Table 16

Gravity Factor: Ratio of Proposed Caesars New York Casino to Resorts World Casino				
	No. Slots	No. Tables	Hotel Rooms	Other Amenities
Caesars New York	3,200	190	300	12
Resorts World	5,004	0	0	3
Ratio	0.64	2.00	2.00	4.00
Weight	0.64	0.16	0.05	0.15
Gravity Factor	0.41	0.32	0.10	0.60

Equation 4 computes a Gravity Factor of 1.43 for the proposed Caesars New York casino compared to Resorts World Casino New York, which means that the proposed casino has a significantly greater capacity to attract customers within the overlapping designated market areas as compared to Resorts World Casino New York.

Equation 4 (Gravity Factor)

$$(0.64 * 0.64) + (2.00 * 0.16) + (2.00 * 0.05) + (4.00 * 0.15) = 1.43$$

Equation 5 computes the Market Break Point for the proposed Caesars New York casino to be 40 minutes. The adjustment for the retail gravity of the competing facilities indicates that the proposed Caesars New York casino will actually be competing for customers in Resorts World's primary, secondary, and tertiary market areas and will potentially begin capturing as much as half of Resorts World Casino's current customers at a functional distance of 40 minutes from Resorts World.

³⁴ The Consultant has used 3,200 slot machines in calculating the gravity factor, because the Applicant may install that many gaming devices if warranted by revenue performance. This increases the gravity of the proposed Caesars New York and allows the Consultant to calculate the *maximum* possible displacement impact of the proposed casino.



Equation 5 (Break Point)

$$\frac{88 \text{ minutes}}{1 + \sqrt{1.43}} = 40 \text{ minutes}$$

5.3.2.2 Impact on Resorts World Casino New York's Gross Gaming Revenue

Resorts World Casino's gross gaming revenue was projected based on the conservative assumption that its revenues will continue to grow by 2% annually in real dollars (i.e., after inflation).³⁵ The projections are stated in 2014 dollars. As shown in Table 17, it is estimated that Resorts World Casino will achieve gross gaming revenue of \$892.6 million in FY 2019 absent competition from Caesars New York.

It is estimated that at full build out and maturity in FY 2019, Caesars New York will capture a maximum of \$58.5 million in gross gaming revenue (2014 dollars) from Resorts World Casino under the average revenue scenario, which is a displacement of 8.8% of Resorts World Casino's gross gaming revenues in FY 2019 absent competition from Caesars New York (see Table 17).

Table 17

Estimated Revenue for Resorts World New York Casino, FY 2013 Thru FY 2023 Competitive Impact of Caesars New York Casino											
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Empire City Casino (w/o Caesars)	\$ 792,578,989	\$ 808,430,569	\$ 824,599,180	\$ 841,091,164	\$ 857,912,987	\$ 875,071,247	\$ 892,572,672	\$ 910,424,125	\$ 928,632,608	\$ 947,205,260	\$ 966,149,365
Empire City Casino (w/Caesars High)	\$ 792,578,989	\$ 808,430,569	\$ 824,599,180	\$ 841,091,164	\$ 801,268,660	\$ 804,265,838	\$ 814,270,220	\$ 829,622,659	\$ 845,332,127	\$ 853,785,448	\$ 862,323,302
Empire City Casino (w/Caesars Avg.)	\$ 792,578,989	\$ 808,430,569	\$ 824,599,180	\$ 841,091,164	\$ 815,599,675	\$ 822,179,606	\$ 834,080,740	\$ 850,065,430	\$ 866,407,148	\$ 875,071,220	\$ 883,821,932
Empire City Casino (w/Caesars Low)	\$ 792,578,989	\$ 808,430,569	\$ 824,599,180	\$ 841,091,164	\$ 830,157,267	\$ 840,376,596	\$ 854,204,470	\$ 870,831,407	\$ 887,815,372	\$ 896,693,526	\$ 905,660,461

Note: 1. Revenue in 2014 constant dollars. 2. Assumes January 1, 2017 start date for Caesars NY. 3. Assumes 2% annual real growth in GGR through FY 2023 without new gaming supply in New York. 4. Does not include potential impact of a New York City casino after moratorium expires.

It is estimated that at full build out and maturity in FY 2019, Caesars New York will capture a maximum of \$78.3 million in gross gaming revenue (2014 dollars) from Resorts World Casino under the high revenue scenario, which is a displacement of 6.6% of Resorts World Casino's gross gaming revenues in FY 2019 absent competition from Caesars New York (see Table 17).

It is estimated that at full build out and maturity in FY 2019, Caesars New York will capture a maximum of \$38.4 million in gross gaming revenue (2014 dollars) from Resorts World Casino under the low revenue scenario, which is a displacement of 4.3% of Resorts World Casino's gross gaming revenues in FY 2019 absent competition from Caesars New York (see Table 17).

³⁵ Net terminal income at New York's race track casinos has grown by an annual average of 22% in nominal dollars, although even after discounting the impact of Resorts World Casino New York, most of the state's race track casinos have recorded double-digit growth in net terminal income.

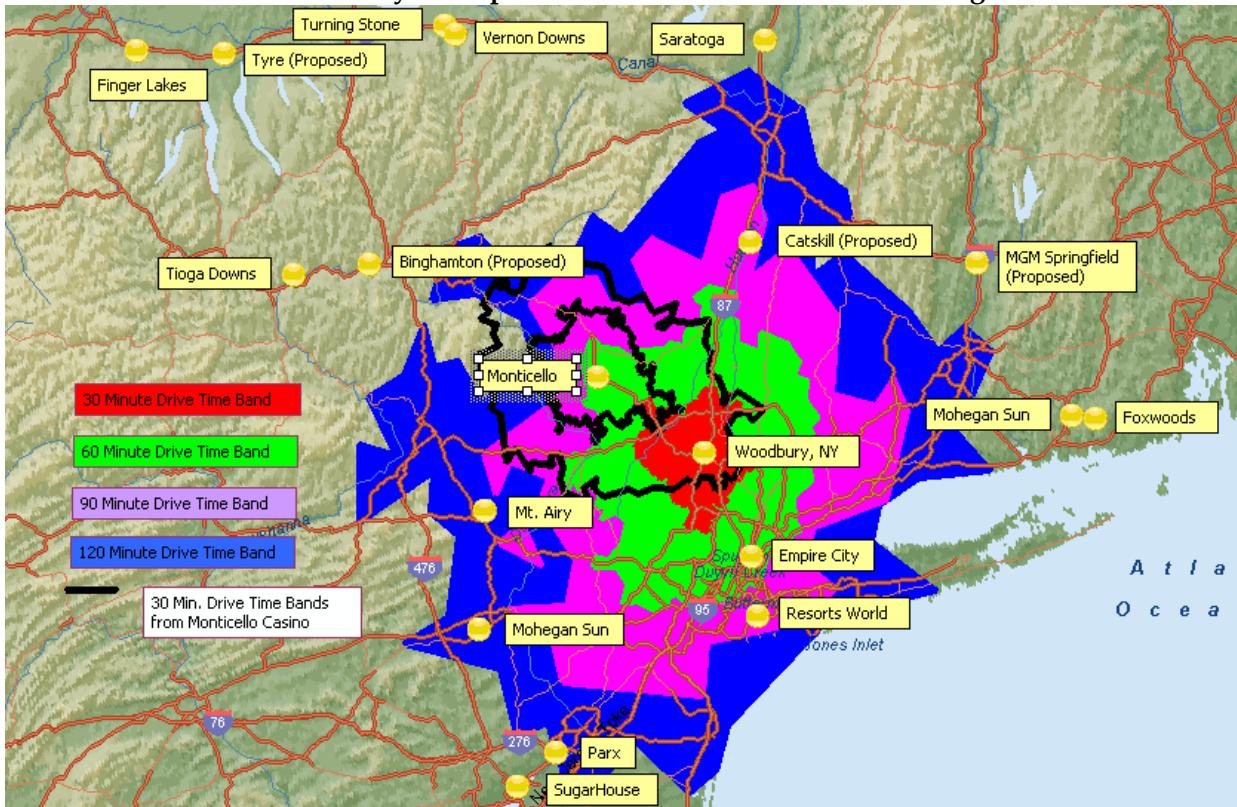


5.3.3 Monticello Casino & Raceway

Monticello Casino & Raceway is located 53 minutes from the proposed Caesars New York casino in Woodbury, New York (see Figure 13). The two casinos will be competing for local convenience gamblers in both facility's primary market areas (0-30 minutes).

Figure 13

Monticello Casino & Raceway & Proposed Caesars New York Casino Designated Market Areas



As shown in Table 18, there are 527,323 million adults (age 21+) living in Monticello Casino & Raceway's Designated Market Area (DMA) and these individuals currently have \$6.9 billion in disposable personal income (DPI). In FY 2013, Monticello Casino & Raceway had gross gaming revenue of \$61.3 million. The gravity model generates a customer base of 114,442 visitors, 974,337 annual visits, with an average of 9 visits per year per visitor. It is estimated that Monticello Casino & Raceway generates 12% of its gross gaming revenue from within its primary market area (0-30 minutes) (see Table 18). This ratio is primarily a function of population and income distribution, which tends to be more heavily concentrated outside the casino's primary market area.



Table 18

Monticello Casino & Raceway Designated Market Area: Demographic and Market Summary					
	Within 0 - 30 Minutes	Within 31 - 60 Minutes	Within 61 - 90 Minutes	Within 91 - 120 Minutes	121 Minutes +
Total Population	71,713	654,713	N/A	N/A	N/A
Adult Population (Age 21+)	52,640	474,683	N/A	N/A	N/A
Disposable Personal Income	\$2,544,841,452	\$4,314,138,904	N/A	N/A	N/A
Gross Gaming Revenues (Monticello)	\$7,125,557	\$54,192,419	N/A	N/A	N/A
GGR as Ratio of DPI	0.0028	0.013	N/A	N/A	N/A
Annual Visitors	14,739	99,683	N/A	N/A	N/A
Propensity to Gamble (Monticello)	28%	21%	N/A	N/A	N/A
Annual Visits	176,870	797,467	N/A	N/A	N/A
Percent of Annual Visits	18%	82%	N/A	N/A	N/A
Average Visits Per Year	12	8	N/A	N/A	N/A
Percent of GGR by Functional Distance	12%	88%	N/A	N/A	N/A
Average Spend Per Visit	\$40	\$68	N/A	N/A	N/A
Sources: U.S. Census (2012), U.S. Bureau of Economic Analysis (2013), Pyramid Associates, LLC (2014).					

5.3.3.1 Market Break Point

Table 19 compares the proposed Caesars New York casino to Monticello Casino & Raceway.³⁶

Table 19

Gravity Factor: Ratio of Proposed Caesars New York Casino to Monticello Gaming and Raceway				
	No. Slots	No. Tables	Hotel Rooms	Other Amenities
Caesars New York	3,200	190	300	12
Monticello Gaming & Raceway	1,100	0	0	3
Ratio	2.91	2.00	2.00	4.00
Weight	0.64	0.16	0.05	0.15
Gravity Factor	1.86	0.32	0.10	0.60

Equation 6 computes a Gravity Factor of 2.88 for the proposed Caesars New York casino compared to Monticello Casino & Raceway.

Equation 6 (Gravity Factor)

$$(2.91 * 0.64) + (2.00 * 0.16) + (2.00 * 0.05) + (4.00 * 0.15) = 2.88$$

Equation 7 computes the Market Break Point for the proposed Caesars New York casino to be 20 minutes. The adjustment for the retail gravity of the competing facilities indicates that the proposed Caesars New York casino will be competing for customers in Monticello Casino & Raceway's primary and secondary market areas and will potentially begin capturing as much as half of the Monticello Casino & Raceway's current customers at a functional distance of 20 minutes from Caesars New York.

³⁶ The Consultant has used 3,200 slot machines in calculating the gravity factor, because the Applicant may install that many gaming devices if warranted by revenue performance. This increases the gravity of the proposed Caesars New York and allows the Consultant to calculate the *maximum* possible displacement impact of the proposed casino.



Equation 7 (Break Point)

$$\frac{53 \text{ minutes}}{1 + \sqrt{2.88}} = 20 \text{ minutes}$$

5.3.3.2 Impact on Monticello Casino & Raceway's Gross Gaming Revenue

Monticello Casino & Raceway's gross gaming revenue was projected based on the conservative assumption that its revenue will continue to grow by 2% annually in real dollars (i.e., after inflation).³⁷ The projections are stated in 2014 dollars. As shown in Table 20, it is estimated that Monticello Casino & Raceway will achieve gross gaming revenue of \$69.1 million in FY 2019 absent competition from Caesars New York.

It is estimated that at full build out and maturity in FY 2019, Caesars New York will capture a maximum of \$27.6 million in gross gaming revenue (2014 dollars) from Monticello Casino & Raceway under the average revenue scenario, which is a displacement of 39.9% of Monticello Casino & Raceway's gross gaming revenues in FY 2019 absent competition from Caesars New York (see Table 20).

Table 20

Estimated Revenue for Monticello Gaming & Raceway, FY 2013 Thru FY 2023 Competitive Impact of Caesars New York Casino											
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Empire City Casino (w/o Caesars)	\$ 61,317,976	\$ 62,544,336	\$ 63,795,222	\$ 65,071,127	\$ 66,372,549	\$ 67,700,000	\$ 69,054,000	\$ 70,435,080	\$ 71,843,782	\$ 73,280,657	\$ 74,746,271
Empire City Casino (w/Caesars High)	\$ 61,317,976	\$ 62,544,336	\$ 63,795,222	\$ 65,071,127	\$ 52,525,557	\$ 33,544,087	\$ 32,128,688	\$ 32,449,975	\$ 32,774,475	\$ 33,102,220	\$ 33,433,242
Empire City Casino (w/Caesars Avg.)	\$ 61,317,976	\$ 62,544,336	\$ 63,795,222	\$ 65,071,127	\$ 56,028,846	\$ 42,185,533	\$ 41,470,792	\$ 42,851,872	\$ 43,280,391	\$ 43,713,195	\$ 44,150,327
Empire City Casino (w/Caesars Low)	\$ 61,317,976	\$ 62,544,336	\$ 63,795,222	\$ 65,071,127	\$ 59,587,523	\$ 50,963,603	\$ 50,960,597	\$ 51,470,203	\$ 51,984,905	\$ 52,504,754	\$ 53,029,802

Note: 1. Revenue in 2014 constant dollars. 2. Assumes January 1, 2017 start date for Caesars NY. 3. Assumes 2% annual real growth in GGR through FY 2023 without new gaming supply in New York. 4. Does not include potential impact of a New York City casino after moratorium expires.

It is estimated that at full build out and maturity in FY 2019, Caesars New York will capture a maximum of \$36.9 million in gross gaming revenue (2014 dollars) from Monticello Casino & Raceway under the high revenue scenario, which is a displacement of 53.5% of Monticello Casino & Raceway's gross gaming revenues in FY 2019 absent competition from Caesars New York (see Table 20).

It is estimated that at full build out and maturity in FY2019, Caesars New York will capture a maximum of \$18.1 million in gross gaming revenue (2014 dollars) from Monticello Casino & Raceway under the low revenue scenario, which is a displacement of 26.2% of Monticello Casino & Raceway's gross gaming revenues in FY 2019 absent competition from Caesars New York (see Table 20).

³⁷ Net terminal income at New York's race track casinos has grown by an annual average of 22% in nominal dollars, although even after discounting the impact of Resorts World Casino New York, most of the state's race track casinos have recorded double-digit growth in net terminal income.



5.3.7 Summary Impact and Net New Growth in Gross Gaming Revenue

As shown in Table 21, it is estimated in:

- the average-case scenario that the proposed Caesars New York casino will displace approximately \$113.4 million in gross gaming revenue from existing race track casinos in New York (FY 2019), the first full fiscal year of stabilized year of operations for the proposed casino, but \$637.3 million (85%) of gross gaming revenue will be net new growth for the New York gaming market.³⁸
- the high-case scenario that the proposed Caesars New York casino will displace approximately \$151.9 million in gross gaming revenue from existing race track casinos in New York (FY 2019), the first full fiscal year of stabilized year of operations for the proposed casino, but \$835.3 million (85%) of gross gaming revenue will be net new growth for the New York gaming market.
- the low-case scenario that the proposed Caesars New York casino will displace approximately \$74.8 million in gross gaming revenue from existing race track casinos in New York (FY 2019), the first full fiscal year of stabilized year of operations for the proposed casino, but \$412.6 million (85%) of gross gaming revenue will be net new growth in the New York gaming market.

Table 21

Competitive Impact of Caesars New York on Gross Gaming Revenue (Net Win), FY 2019

	FY 2019 High-Case	FY 2019 Avg.-Case	FY 2019 Low-Case
Empire City Casino at Yonkers Raceway	\$ 36,632,519	\$ 27,364,492	\$ 18,316,260
Resorts World New York Casino	\$ 78,302,452	\$ 58,491,932	\$ 38,368,202
Monticello Gaming & Raceway	\$ 36,925,312	\$ 27,583,208	\$ 18,093,403
Total Market Impact	\$ 151,860,283	\$ 113,439,632	\$ 74,777,865
Caesars New York Casino	\$987,159,079	\$750,720,376	\$487,339,943
Net New Growth in Gross Gaming Revenue	\$835,298,796	\$637,280,744	\$412,562,078
Net New Growth in Gross Gaming Revenue	85%	85%	85%

Notes: 1. Revenue in 2014 constant dollars. 2. Assumes January 1, 2017 start date for Caesars New York.

³⁸ The percentage of net new growth for non-gaming revenue will be higher than the estimated percentage for gross gaming revenue, because (1) none of Caesars New York's direct competitors has a hotel and (2) a higher percentage of patrons staying at the hotel will come from outside the local and regional market and, consequently, these patrons will also spend more on food and beverage and other amenities due to their longer stay at the facility.



5.3.8 Summary Impact and Net New Growth in State Tax Revenue

The proposed Caesars New York casino's displacement of existing facilities' gross gaming revenue will affect the amount of net gaming tax revenue collected by the State of New York from existing race track casinos. Based on current revenue sharing percentages (FY 2013) with the race track casinos, net gaming tax revenue for the State of New York is estimated as follows (see Table 22):

- the average-case scenario will generate \$174.1 million in net new gaming tax revenues for the State of New York (after accounting for the displacement of gross gaming revenue at existing race track casinos),³⁹
- the high-case scenario will generate \$227.5 million in net new gaming tax revenues for the State of New York (after accounting for the displacement of gross gaming revenue at existing race track casinos), and
- the low-case scenario will generate \$112.4 million in net new gaming tax revenues for the State of New York (after accounting for the displacement of gross gaming revenue at existing race track casinos).

Table 22
Competitive Impact of Caesars New York on State Gaming Tax Gaming Revenues, FY 2019

Gaming Facility	FY 2019 High-Case	FY 2019 Avg.-Case	FY 2019 Low-Case
Empire City Casino at Yonkers Raceway	\$ (21,430,024)	\$ (16,008,228)	\$ (10,715,012)
Resorts World New York Casino	\$ (40,717,275)	\$ (30,415,805)	\$ (19,951,465)
Monticello Gaming & Raceway	\$ (18,093,403)	\$ (13,515,772)	\$ (8,865,767)
Total Market Impact	\$ (80,240,702)	\$ (59,939,804)	\$ (39,532,245)
Caesars New York Casino	\$ 307,702,691	\$ 233,999,541	\$ 151,903,861
Net New Growth in Gaming Tax Revenue	\$ 227,461,990	\$ 174,059,737	\$ 112,371,616
Net New Growth in Gaming Revenue	74%	74%	74%

Notes: 1. Revenue in 2014 constant dollars. 2. Assumes January 1, 2017 start date for Caesars New York. 3. Assumes revenue sharing rates in effect for race track casinos, effective FY 2014. 4. Assumes gaming tax rate of 39% on slot machine revenue (Region 1) and 10% on table games revenue.

³⁹ The percentage of net new growth for taxes on non-gaming revenue (e.g., lodging tax, meals and sales tax) will be higher than the estimated percentage for gross gaming revenue, because (1) none of Caesars New York's direct competitors has a hotel and (2) a higher percentage of patrons staying at the hotel will come from outside the local and regional market and, consequently, these patrons will also spend more on food and beverage and other amenities due to their longer stay at the facility.



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Appendix A: About the Authors

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Dr. Barrow is Chancellor Professor of Public Policy and the Director of the Center for Policy Analysis at the University of Massachusetts, Dartmouth. In addition to teaching and conducting research and analysis at UMass Dartmouth, he has served as a consultant to governments, private companies, business and trade associations, non-profit organizations, and educational institutions across the United States.

Dr. Barrow specializes in public policy research and analysis. His areas of expertise include feasibility analysis, economic impact analysis, regional economic development, survey development and implementation, and policy analysis. His work has involved a wide variety of industries, including casino gaming, retail trade, science and technology, textiles and apparel, health care, national defense, education, health care, arts and crafts, cultural economic development, and public infrastructure development.

For nearly two decades, Dr. Barrow has been studying the economic, fiscal, and social impacts of casino gaming, including commercial casinos, racinos, and Indian gaming. He has studied existing and proposed gaming around the United States, including California, Connecticut, Illinois, Maine, Massachusetts, New Hampshire, Nevada, New York, Oregon, Pennsylvania, and Rhode Island. He is project manager for the Northeastern Gaming Research Project, which annually conducts research and analysis of casino gaming in the New England and Mid-Atlantic states.

Dr. Barrow is also a Gaming Specialist for the Gerson Lehrman Group, LLC (New York), where he provides briefings and consultation about the gaming industry to capital management firms, investment banks, venture capital funds, and bond traders.

Dr. Barrow's research has been published in various scholarly journals, including *Gaming Law Review* and *Economics*, *Gaming Research & Review Journal*, *Casino Enterprise Management*, *Journal of Travel Research*, and *Massachusetts Benchmarks*. He has also published many books, book chapters, applied policy monographs, book reviews, and articles in trade publications, magazines, and newspapers. He has delivered numerous conference papers and invited talks, and delivered expert testimony to the Illinois, Massachusetts, Michigan, New Hampshire, and Rhode Island state legislatures, as well as other state and federal agencies. His research and expert commentary have been cited in more than 2,300 newspaper articles, including the *Wall Street Journal*, *New York Times*, *Financial Times*, *Washington Post*, *Christian Science Monitor*, and *USA Today*.

Dr. Barrow holds a B.A. in Political Science from Texas A&M University, and an M.A. and Ph.D. in Political Science from the University of California, Los Angeles.



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David R. Borges is Associate Director of the Center for Policy Analysis at the University of Massachusetts Dartmouth, where he has been employed for 17 years. Mr. Borges' focus is applied policy research in the areas of program evaluation, survey research, economic impact analysis, workforce development, and gaming studies. Mr. Borges also heads the Center's Division of Polling & Program Evaluation, which specializes in public opinion polling in both quantitative and qualitative forms of program evaluation. The Division works with a wide variety of public and private organizations, including departments and agencies of state and municipal government, non-profit organizations, housing authorities, schools, media outlets, and trade associations. Mr. Borges is also a senior researcher for the Center's Northeastern Gaming Research Project.

Mr. Borges holds an M.P.A. from the University of Central Florida and B.A. in Political Science from the University of Massachusetts Dartmouth.



Appendix B: About Pyramid Associates, LLC

Pyramid Associates, LLC is a registered Massachusetts company (est. 2006) with offices in Fall River, Massachusetts and Edinburg, Texas. The company specializes in providing custom designed applied policy and economic research for clients in the public, private, and non-profit sectors, including many Fortune 500 companies. The company's areas of expertise include:

- Gaming market analysis (gravity modeling);
- Economic impact and economic base analysis;
- Industry analysis;
- Workforce development planning;
- Public opinion polling and behavioral survey research.

The partners and employees at Pyramid Associates, LLC have conducted research on a wide variety of industries, including:

- Casino gaming,
- Retail trade,
- Marine science and technology,
- Technology assessment,
- Textiles and apparel,
- Health care,
- Education,
- Arts and crafts,
- Cultural economic development, and
- Public infrastructure development.



Appendix C: Retail Gravity Modeling

The gravity model is a tool first developed by economists in the late 1920s and early 1930s for the purpose of estimating retail trade flows between various geographic areas, although private retail companies quickly recognized their utility for estimating the potential customer base and future annual sales of new stores. Gravity models are actually derived from Sir Isaac Newton's Law of Gravitation, which was first used to predict the movement of people, commodities, and sales by William J. Reilly, a professor of business at the University of Texas. Reilly published *The Law of Retail Gravitation* in 1931 after he realized that Newton's Law of Gravitation seemed to loosely express the empirical regularities he observed while conducting several trading area investigations for chain grocery stores in Texas during the late 1920s (Reilly 1929).

Newton's Law of Gravitation, which was first articulated in his *Philosophiae Naturalis Principia Mathematica* (1687) states that the gravitational force between two masses is proportional to the product of the two masses and inversely proportional to the square of the distance between them. Reilly argued that Newton's Law of Gravitation seemed to provide a good working hypothesis for defining the boundaries of competing retail trade areas if one translated the law into two behavioral concepts: (a) that the ability of a city to attract non-resident trade is a function of its population (mass) and (b) that the flow of nonresident trade to a city is an inverse function of distance (force) (Thompson 1967, 37). If one adopted this hypothesis, then the law of retail gravitation could be used to calculate the "breaking point" between two places, where customers will be drawn to one or another of two competing commercial centers (Anas 1987, 45-54; Golledge and Timmermans 1988). In this sense, Reilly argued that "two cities attract retail trade from an intermediate city or town in the vicinity of the breaking point approximately in direct proportion to the populations of the two cities and in inverse proportion to the square of the distances from the two cities to the intermediate town" (Huff 1963, 81-82), although notably, Reilly's formulation of the law presumes that the geography of an area is flat without any rivers, roads, or mountains to alter a consumer's decision about where to travel to purchase a particular good or service.

Reilly's Law remained an interesting hypothesis for more than a decade and, as late as 1944, the editor of *The Journal of Marketing*, which became a key academic testing ground for Reilly's Law, wrote that "there is a real need for inductive studies of consumer buying habits" (quoted in Bennett 1944, 405). Professor Victor W. Bennett published one of the first studies of this type based on a survey of 240 families living in Laurel, Maryland. The families were questioned on their choice of shopping venues in Baltimore, Maryland and Washington, D.C. and, in one of the first empirical tests of Reilly's Law, Bennett (1944, 413) found that "there is more out-of-town buying by Laurel consumers in Baltimore than in Washington, [which] conforms roughly to the application of Reilly's Law."

Bennett's study was followed by the noteworthy work of P.D. Converse (1943, 1946, 1948), a professor of business at the University of Illinois, who examined retail customer movement between several communities in Illinois and established the usefulness of Reilly's Law for defining retail trade areas across a much larger geographic area. However, Converse made a significant addition to Reilly's Law that more precisely determined the breaking point between competing trading areas centered in two different cities. Converse defined the breaking point between two trading areas as



an equilibrium boundary line where $B_a = B_b$, i.e., the point up to which one city exercises a dominant trading influence and beyond which another city dominates. The mathematical version of this adaptation is:

(Equation 1)

$$B_{ab} = \frac{D_{ab}}{1 + \sqrt{P_a/P_b}}$$

Where B_{ab} = the breaking point between city A and city B in miles from B

D_{ab} = the distance separating city A from city B

P_a = the population of city A; and

P_b = the population of city B

This breakthrough was followed by the work of Frank Strohkarck and Katherine Phelps, who were working for the Curtis Publishing Company. They authored a 1948 article on the mechanics of constructing a trade area map that for the first time visually represented competing trade areas as a series of concentric and overlapping circles emanating from central places much like the three dimensional topographical or contour maps familiar to geographers. Thus, Strohkarck and Phelps added an important cartographic dimension to the gravity model as well as a mathematical refinement of the breaking point concept.

The pioneering work of Strohkarck and Phelps was further refined by Edna Douglas (1949a; 1949b), who employed three methods for identifying retail customer origins in Charlotte, North Carolina: (1) the records of the Credit Bureau of the Charlotte Merchants' Association to determine customer's addresses, (2) checks deposited during one week by a group of local retail stores to determine the location of the banks against which they were drawn and (3) an origin-destination study of passenger cars leaving Charlotte. Douglas's (1949b, 60) findings reinforced previous studies and again found that "Reilly's law of retail gravitation provides a remarkably accurate delineation of the Charlotte retail trading area." However, Douglas's empirical findings also suggested a slight modification to Strohkarck's and Phelps' concept of concentric market areas.

First, Douglas (1949b, 59-60) found that the retail trading area was not a single concentric circle with one breaking point, but a series of circles within circles that comprised primary, secondary, and tertiary market areas, with customers in the tertiary market coming from otherwise significant trading areas that were in competition with Charlotte. This led Douglas to conclude that market breaking points were not hard boundaries, where all the potential customers on one side gravitated in one direction and all of those on the other side gravitated in the other direction, but porous boundaries that delineated points where an exponentially decreasing proportion of customers would be drawn to a trading area. In this formulation, the Strohkarck and Phelps breaking point formula defines the outer boundary of a primary market area at which point the proportion of customers attracted to a trading area begins to decline exponentially, while the tertiary market area marks another point of exponential decline in customer attraction (force), because the gravitational pull of a competing, but closer trading area begins to exert greater force on customers. Douglas also



found that the primary market area was indeed nearly circular as hypothesized by Strohkarck and Phelps, but the secondary market area became somewhat elliptical, while the boundaries of the tertiary market area were quite erratic depending upon the level of competition from outlying areas with significant trading centers.

The next major advance in gravity modeling was stimulated by the emergence of regional shopping centers (i.e., malls). By the 1950s, the investors in costly real estate projects, such as banks, insurance companies, and other financial institutions, were no longer willing to rely on the intuition of business entrepreneurs for making decisions, but increasingly sought to base investment decisions on solid factual information as to the profitability of a proposed real estate investment. Similarly, prospective store tenants, often the large retail chains that were being asked to anchor the new shopping centers, conducted their own studies to evaluate proposed shopping center locations. This second generation of trade area studies incorporated concepts and research techniques from marketing, geography, statistics, economics and the behavioral science disciplines (e.g., psychology and sociology) (Applebaum 1965, 234). By the mid-1950s, this type of gravity model was being applied to both inter-urban and intra-urban market areas for the purpose of determining the market feasibility of local malls, large chain stores, and regional shopping centers (Ellwood 1954) and by the 1960s gravity models were being used to assist government officials with economic development and urban planning (Huff 1963; Lakshmanan 1964). Subsequently, gravity models were used to predict consumer preferences for a wide variety of competing retail and service industry outlets, such as hospitals (Bucklin 1971), large chain stores (MacKay 1973), banks (Ali and Greenbaum 1977), and movie theatres (Davis 2006). By the 1970s, gravity models were being extended to the leisure and social travel industries (Gilbert, Peterson, and Line 1972; Stutz 1973; Vickerman 1974).

However, during this period (1950-1970), there were two additional developments in the science of gravity modeling. First, as Louis P. Bucklin (1971, 489) observes: "In its original formulation, the retail gravity model was used to predict the point between two cities where trade between them would be divided. This 'breaking point' defined the geographical size of the market which each city controlled I the other." However, Bucklin (1967a; 1967b) was among the first scholars to test the gravity model's ability to predict *intra-urban* shopping patterns as opposed to inter-urban shopping patterns. For example, in one study, Bucklin conducted a survey of 500 female heads of household in Oakland, California. In this study, he (1967b, 42) concluded "that mass retains much influence in the selection of an intra-urban shopping center," but this innovation also shifted the concept of mass from the size of an area's population to the size and composition of the facility. This subtle shift built on the work of Professor George Schwartz's (1962) University of Illinois marketing group, which had generated impressive statistical evidence to validate Reilly's original hypothesis that one could use population or *retail square footage* as the sole proxy for measuring retail mass in gravity models.

The results of these studies were so consistent and so reliable that nearly three decades after the publication of Reilly's *Law of Retail Gravity* (1931), Robert Ferber (1958, 302) was able to declare that: "The two variables included in Reilly's Law and in subsequent formulations – *population* and *distance* – account for almost all the variations in sales between cities." Indeed, after three decades of testing Reilly's Law, Allen F. Jung (1959, 62), a research associate at the University of Chicago suggested that "through the years little, if any, evidence has been presented which conflicts with this [Reilly's] law." These claims were reaffirmed by David L. Huff (1963, 81), who observed that "empirical



evidence is available to indicate that in many cases the use of such [gravity] models has provided fairly good approximations of the limits of a number of retail trade areas."

The Huff Model: Variety, Time, Income, and Probability

Scholars, retail executives, real estate investors, and urban planners enthusiastically embraced Reilly's Law of Retail Gravitation as an iron law of retail trade distribution, but at the same time a number of methodological amplifications were introduced in the 1960s and 1970s which culminated in the introduction of the "Huff model" (Applebaum 1965, 234). It is actually David L. Huff, a former professor of business at the University of California, Los Angeles (UCLA), who pioneered the type of gravity model utilized most frequently by the casino industry and casino industry consultants. Huff (1963, 85) proposed four modifications to Reilly's Law that were critical to the development of the Huff model: (1) Merchandise Offerings (or the number of items of the kind a consumer desires that are carried by the retail outlet), (2) the travel *time* that is involved in getting from a consumer's travel base to alternative retail facilities, (3) the average household income of people living in the trading area, (4) probability contours as opposed to breaking points. We might suggest by way of analogy that just as Newtonian mechanics was superseded – though not displaced – by Niels Bohrs' quantum mechanics a similar phenomenon occurred in the business and social sciences as the focus shifted from aggregate populations to individual consumer behavior – or from planetary bodies to sub-atomic particles.

First, Huff suggested that it is not just the square footage that measures the mass of a retail facility, but rather square footage is really a proxy indicator for the number of stores, types of stores, and range of merchandise offerings at a particular location, because it is this variety that justifies traveling longer distances by making more purchasing options available at a single location. In the gravity models used by the casino industry and its consultants, this concept of mass has typically been operationalized exclusively in terms of gaming positions, where one slot machine equals one gaming position and one table game equals five or six positions, because a table can accommodate multiple players. These accumulated modifications to the concept of mass are often referred to today as "destination effects" (Black 1983).

Second, and despite widespread recognition of this shortcoming, most gravity models, including those used in the casino industry are based on the assumption that customers patronize a facility according to some rule involving the comparative distance between two facilities, all other things being equal. A customer prefers facility A over facility B if the distance to facility A is shorter than some function of the distance to facility B (Drezner, Drezner, and Eiselt 1996). However, Richard Nelson (1958, 149) was one of the first scholars to suggest that driving time, rather than distance was a more important determinant of customer preference for alternative shopping facilities (Nelson 1958, 149). Similarly, by the late 1950s, Eugene J. Kelley (1958, 32) had commented that "convenience costs are assuming more importance as patronage determinants" compared to distance. Kelley observes by this time that marketers had actually identified "ten convenience forms" with "place convenience" being only one of the ten forms. Nevertheless, Kelley's work continued to emphasize the importance of place, or geographic area, as defined by the concentration or dispersion of population as did Reilly.



Yet, Kelley did introduce two new elements into the concept of place convenience. Kelley (1958, 35) challenged the equivalence of “the distance concept” with “convenience” by noting that distance involves “time-cost elements rather than a purely spatial one.” Higher road speeds and the emergence of large planned retail centers were actually changing consumers’ perceptions of distance, because one could travel further faster and obtain more goods and services at a single location. Kelley (1958, 35) also noted the importance of parking to retail structures as an element of time convenience, observing that “it is generally agreed that shoppers resist walking more than 600 feet from their parked cars to the nearest center store … this suggests a limit to the maximum parking distance” that can be used before a retail center loses its other advantages over competing centers and certainly anyone who operates, manages, or visits a casino will recognize the importance of parking, i.e., finding a space quickly, getting into the facility quickly, and avoiding inclement weather.

Kelley’s observations was validated in subsequent research, including a study Professors James A. Brunner and John L. Mason (1968), who studied consumer preferences for various shopping centers in Toledo, Ohio based on drive times as opposed to distance. The findings confirmed the drive-time hypothesis as superior to the simple distance concept proposed by Reilly, but given the limited geographic sample, Brunner and Mason (1968, 61) called on other researchers “to ascertain the degree to which these observations are generally true for other shopping centers in other communities.” A license plate survey of 93,500 passenger cars in 18 Greater Cleveland shopping centers by Cox and Cooke (1970, 13) in fact confirmed that “the driving time required to reach a center is highly influential in determining consumer shopping center preferences” (also see, McCarthy 1964, 577; Cox and Erickson 1967, 52; Berry 1967).

However, Cox and Cooke also found that the “drawing power” (i.e., gravity factor) of a shopping center still had to be incorporated into the gravity model, because consumers were willing to drive farther to reach a shopping center depending upon “relative attractiveness” compared to other shopping centers. Cox and Cooke (1970, 14) suggested that a number of factors could be used to measure the attractiveness of a facility, such as the number of parking spaces, the size of the center, and the types of stores in the center,” since these factors could partially overcome the “friction” or “inertia” of drive time and distance. Furthermore, Gautschi (1981) points out that the first gravity models constructed to evaluate the potential trade areas of planned shopping centers assumed the automobile of the 1950s and the 1960s, as well as the transportation network in place at the time. Consequently, Gautschi (1981, 172) argues that the development of better, faster, and more comfortable automobiles, the construction of superior road systems (parkways, interstate highways), and urban mass transit means (at least theoretically) that “the travel time parameter has an inflated absolute value,” which “serves to underestimate the expanse of a center’s trading area.”

However, even as late as 1978, Raymond Hubbard found that “the vast majority of the literature” on gravity modeling and retail trade areas still utilized “objective distance data,” rather than drive times partly because distance data was easily available, but drive times were not available in any readily useable format. The use of distance, rather than drive time, has been almost universal in the casino industry’s gravity models, but the difference between distance and drive time can be significant in various geographies that are not flat, where the width and quality of roads is not consistent, where weather can be a factor, and where urban congestion or other choke points can significantly alter the relationship between distance and drive time. However, the lack of available



data on drive times is a technical problem that should largely have been eliminated by the introduction of computer and internet programs, such as MapPoint, Google Maps, Yahoo Maps, Map Quest, Free Mileage Calculator, and other programs that have made drive-time data easily accessible for incorporation into gravity models.

Third, while Reilly accounted for differences of population, he did not account for differences of income. Yet, as early as 1958, Ferber's (1958, 303) consumer behavior research, which was based on Reilly's Law had found that "income is a major factor influencing variations in per capita retail sales between cities for most categories of sales." Similarly, Bucklin (1967b, 42) found but that consumer perceptions about the value mass imparts vary considerably" among consumers depending on the motivation of consumers. In particular, he found that mass had a higher attraction (force) for those with higher incomes, since these consumer cohorts were willing to travel farther to a primary retail center to obtain the benefits of retail mass, while secondary centers held a greater attraction for those seeking convenience, and tertiary centers (i.e., small out of the way stores) were more likely to attract price conscious consumers. Thus, subsequent research has found that mass and income are two factors that will interact to promote "excess travel behavior" (Hubbard 1978, 8-10). This is not only because a larger mass exerts more gravitational force on consumers, but because "those individuals showing evidence of higher income levels are more readily able to bear the costs involved in shopping around, and therefore tend to travel greater distances in the journey to consume" (Hubbard 1978, 9; for example, McAnnally 1965; Schiller 1972). Thus, a larger and more attractive retail facility increases the likelihood that higher income consumers will travel distances in excess of those that are theoretically justified (Hubbard 1978, 9). By the late 1960s, consumer behavior surveys were documenting that the nearest center postulate "provided an inadequate description of consumer movements" and that large numbers of consumers deviated from what was defined as "spatially lawful behavior" (Golledge et al 1966; Rushton et al. 1967; Hubbard 1978, 3-4). This is particularly important to gravity modeling in the casino industry, where surveys have documented that the individuals who patronize destination resort casinos, in particular, have incomes higher than the median income of its host jurisdiction (AGA, 2013; Barrow and Borges 2013b).

Finally, David L. Huff (1961, 84) identified another significant limitation to the application of Reilly's Law, which is that "the calculation of breaking points to delimit a retail trade area conveys an impression that a trading area is a fixed boundary circumscribing the market potential of a retail facility, when in fact there is an exponential distance decay factor of declining retail attraction within the trade area, as well as interpenetration and overlap between designated market areas." This problem had been identified earlier in the development of gravity modeling by scholars, such as Edna Douglas, who had mapped trade areas based on actual consumer origins, rather than distance postulates. Huff (1961, 490) built on this work, but was more emphatic in stating that trading areas do not have hard boundaries, but shade off into another and, therefore, "probabilistic models are appropriate measures of this process." Thus, Huff proposed that breaking points be replaced by "exponents," which are the statistical units that capture and measure the distance decay factor in terms of the probability that an individual consumer will choose to patronize a specified facility. This does not mean that the breaking point formula is irrelevant, but that it defines the 0.50 probabilistic contour or the point up to which a customer has a greater or less than fifty percent (50%) probability of selecting one facility over another. The lines demarcating or connecting the geographical units with comparable decay factors on a map are called "probability contours"



instead of market boundaries, because they delimit the statistical probability that individuals will select a particular trading area or facility.

The “most obvious deficiency” in the application of this principle at the time was “the lack of direct information on the actual spatial movements and expenditures of individuals” (Golledge et al., 1966, 261). This difficult has largely been removed in the casino industry where the annual Harrah’s (2006) surveys of “propensity to gamble” – now conducted by the American Gaming Association (2007-2013) – has provided reliable data at the state level. The development of sophisticated players’ club databases, hotel guest databases, and daily headcounts by casinos have perhaps made the industry a leader in this area, particularly as this proprietary information is often provided to consultants, who can then develop more elaborate models based on actual player origins and gaming behavior (e.g., spend per visit).

The Huff model, which was first articulated in two articles published in 1963 and 1964, incorporated these four modifications to Reilly’s Law to construct an alternative model of retail gravitation based on consumer behavior theory and goods theory, rather than central place theory. In Huff’s 1963 (87-88) article, he walks the reader through a seven step process for constructing a gravity model that incorporates drive times and that maps trade areas based on exponential decay factors, the actual population residing within these probabilistic contours, and the average household income of the households residing within each contour of the map.

The seven-step process for constructing a Huff models is as follows:

1. “Divide the area surrounding any existing or proposed shopping center into small statistical units. These units could be Census enumeration districts.
2. Determine the square footage of retail selling space of all shopping centers included within the area of analysis.
3. Ascertain the travel time involved in getting from a particular statistical unit to each of the specified shopping centers.
4. Calculate the probability of consumers in each of the statistical units going to the particular shopping center under investigation for a given product purchase.
5. Map the trading area of the shopping center in question by drawing lines connecting all statistical units having like probabilities.
6. Calculate the number of households within each of the statistical units. Then, multiply each of these figures by their appropriate probability values to determine the expected number of consumers (expressed in households) who will patronize the shopping center in question for a particular product purchase.
7. Determine the annual average per household incomes of each of the statistic units. Compare such figures to corresponding annual household budget expenditures in order to determine the average expected amounts spent by such families on various classes of products, e.g., clothing and furniture. Estimate *annual sales* for the shopping center under investigation by multiplying each of the product budget figures by expected number of consumers from each statistical unit who are expected to patronize the shopping center in question. Then, sum these individual estimates to arrive at a total annual sales potential by product class for the selected shopping center” (Huff 1963, 87-88).



With respect to Step 6: Huff (1963, 87) notes that “in addition to the likelihood [propensity] of consumers from various statistical units patronizing a proposed shopping center, it is necessary to know the *expected number* of such consumers from each of the units. For example, it might be that a given contour possesses a high probability value but the consumers within its confines may be few in number” and, therefore, provide few customers and little revenue to the proposed facility. Similarly, with respect to Step 7, Huff (1963, 88) observes that “in terms of purchasing potential, another contour possessing a much smaller expected number of consumers may have a greater disposable income level and thus greater purchasing potential.”

A formal expression of the Huff (1964, 36) model is:

(Equation 2)

$$P_{ij} = \frac{S_j}{\sum_{j=1}^n \frac{S_j}{T_{ij}^\Delta}}$$

Where P_{ij} = the probability of a consumer at a given point of origin traveling to a particular shopping center j

S_j = the size of a shopping center j (measured in terms of the square footage of selling area devoted to the sale of a particular class of goods);

T_{ij} = the travel time involved in getting from a consumer's travel base I to a given shopping center j ; and

Δ = a parameter which is to be estimated empirically to reflect the effect of travel time on various kinds of shopping trips.

As Huff (1964, 36) described it, the *expected* number of consumers at a given place of origin i that shop at a particular shopping center j is equal to the number of consumers at i multiplied by the probability that a consumer at i will select j for shopping.

That is:

(Equation 3)

$$E_{ij} = P_{ij} * C_i$$

Where E_{ij} = the expected number of consumers at i that are likely to travel to shopping center j ; and

C_i = the number of consumers at i .

Huff (1964, 36) noted that his model “resembles the original model formulated by Reilly,” but he argued that it differed from Reilly’s Law of Retail Gravitation “in several important respects.” The most important theoretical difference is that Huff’s (1964, 36-37) model was not a “contrived formulation” designed *post-hoc* to describe observed empirical regularities, but “a theoretical



abstraction of consumer spatial behavior." As a result, real data including population, average household income, square footage, drive times, and propensity factors can be used in mathematical calculations to deduce probabilistic conclusions about the number of consumers and the spend per consumer that can be predicted for a particular type and size of retail facility.

Gravity Models and Casino Gaming

In 1988, the federal government passed the Indian Gaming Regulatory Act (IGRA), which established the legal framework for the expansion of tribal gaming across the United States (Rand and Light 2006). Subsequently, nine states legalized commercial casinos, including South Dakota (1989), Iowa (1989), Colorado (1990), Illinois (1990), Mississippi (1990), Louisiana (1991), Missouri (1993), Indiana (1993), and Michigan (1996). John Williams (1997) correctly argued at the time that one of the main areas of future research in the emerging field of gambling studies would be patronage and revenue forecasts. Williams (1997, 402-403) did not elaborate the details of how this research would be conducted, but he did observe that specific data points would have to be incorporated into future visitation and revenue models, including population, demographics, and disposable personal income.

As noted earlier, there has been almost no academic literature on gravity modeling in the casino industry since that time, although a number of private consulting firms have developed proprietary gravity models. In these gravity models, the exponents were originally operationalized as counties, although as greater sophistication was introduced into the models, it became possible to use towns and cities, zip codes, census county divisions, or census blocks as the geographic units for population and income. The geographical units might vary depending on the political jurisdictions in different parts of the country or the availability of commercial databases (e.g., Claritas).

Likewise, official government data on disposable personal income, per capita income, and average household income for these units of analysis has become more easily available as a result of CD-ROMs, the internet, and the commercial repackaging of public data. Spreadsheet programs, a user-friendly Statistical Package for Social Sciences (SPSS), and other statistical software packages, coupled with rapid developments in personal computing power have made it possible to construct gravity models with tens of thousands of individual data points that can be linked together in mathematical formulas. Expectations about spend per visitor and the propensity to gamble are now based on surveys, data from comparable existing casinos, data from comparable casino jurisdictions, and proprietary consultant databases constructed through many years of access to casinos' players' clubs and other databases. Consequently, a casino's ability to attract visitations and spending can be reliably estimated using gravity models, which incorporate data on the number of people living at different distances from the casino. However, we want to suggest that some important modifications to these models could improve their performance and may be necessary going forward in the industry. The function and complexity of gravity models in the casino industry has undergone at least three phases of development, with the most recent phase requiring that we reconsider how measure the gravity factor – or mass – of casinos.

The first phase of gravity modeling in the casino industry was the period of its greatest expansion (1976-2005), beginning with the opening of casinos in Atlantic City and culminating with the opening of three commercial casinos in Detroit, Michigan. During this phase, casinos were opening



in new jurisdictions, often with limited entry restrictions designed to protect new operators, so gravity models were comparatively simple efforts to measure the potential revenue that would be *captured* by casinos, including the percentage of revenues and visitors that would be captured from out-of-state or out-of-region visitors (Eadington 1995, 1998; Hsu 1999, Chaps. 5-8; Walker 2007, Chap. 2-4; Meister, Rand, and Light 2009). The second phase of gravity modeling has revolved around late entrants to the expanded gaming movement, such as New York, Pennsylvania, Delaware, Maryland, Massachusetts, Maine, and Ohio (2005 -2012), where gravity modeling has focused more on the ability of local or regional facilities to *recapture* visitors and revenues (Barrow and Borges 2010; Dense and Barrow 2003; McGowan 2009). This has meant that location and *mass* have become more important to estimating a casino's probability of "success" in the political terms that now structure expanded gaming debates. It also means that gravity models have become increasingly complex, or confronted with increasing difficulties in measuring the comparative impact of different facilities in a congested market area.

Moreover, as expanded gaming debates have shifted from capturing revenues from adjacent states to recapturing revenues being lost to adjacent states, it has raised an additional question for gravity modelers: What types and size of gaming facilities (i.e., mass) are necessary to effectively compete with existing gaming facilities in adjacent states, particularly if the objective is to generate a new destination as opposed to merely recapturing local convenience gamblers. This has juxtaposed the question of using multiple small convenience facilities taxed at high rates to capture convenience gamblers (e.g., Pennsylvania) against the construction of resort casinos designed to generate new destinations and bolster the larger tourism and hospitality industry (e.g., Massachusetts). Finally, it appears that gravity modeling is about to enter a third phase of development as expanded gaming reaches maturity, but new market entrants either seek to enter saturated or nearly saturated markets at lower operating margins or they seek to displace existing venues by constructing more elaborate facilities with a higher gravity factor. This debate is already surfacing in a number of U.S. jurisdictions and it means that the problem of measuring "mass" is becoming even more important in the construction of gravity models for the casino industry.





Pro-Forma Financial Information

Caesars is confident that Caesars New York will be a profitable and financially stable endeavor due to the project's anticipated ample funding and capitalization, modest leverage, healthy margins, steady cash flow generation and Caesars' conservative forecast approach.

Caesars New York will be amply funded and capitalized using a combination of Caesars-sourced equity and project financing. It is expected that the total sources of capital will be comprised of \$220 million of total equity and \$660 million of debt.

Caesars New York will be financed with \$660 million of debt which represents a modest leverage multiple of **RE** the projected Year 3 EBITDA of **REDACTE**. This conservative leverage ratio ensures that the property can comfortably meet annual interest expense payments, which are anticipated to amount to an average of **REDACT** each year for the first five years. Based on the projected Year 3 EBITDA of **REDACTE** this implies a healthy average interest coverage ratio of **RED** indicating that Caesars New York will generate more than four times the necessary EBITDA from operations to satisfy its annual interest expenses.

Annual debt servicing will be aided by the healthy margins at which Caesars New York is anticipated to operate. In Year 3, the property is forecasted to generate **REDRED** in Net Revenue and **REDACTE** in EBITDA, which translates to a strong EBITDA margin of **RE**. This compares favorably to EBITDA margins across Caesars' portfolio of similar properties, which typically achieve margins in the range of 18 to 29%.

Similarly, Caesars New York's expected steady cash flow generation and sound rate of cash conversion will provide sufficient funding to meet its financial obligations. The property is quickly cash flow positive from operations by Year 1 and in Year 3, when the property reaches its natural revenue level, it will generate **REDACT** in free cash flow. This represents a **RE** conversion of EBITDA to cash flow, which is available to be deployed for other purposes such as further reinvestment, debt payments or equity distributions.
**RA
CTE**

In developing the pro-forma financials of Caesars New York, Caesars used its internal gross gaming revenue projections. These projections are substantially similar and slightly lower to those of Caesars' independent third party consultant (see Exhibit VIII.A.3.) and are informed by Caesars' experience operating 53 properties around the world. Further, Caesars adopted a conservative approach across all major assumptions outlined below.

Market Size

To estimate the expected gaming revenue demand for Caesars New York, Caesars utilized its proprietary gravity model. Gravity models are developed and used to predict and describe certain behaviors that mimic gravitational interaction. Gravity models are widely used in the retail industry to identify site locations with high foot traffic and correspondingly potential revenue. In the gaming industry, the gravity model is applied empirically to estimate the



potential economic gains, measured by Gross Gaming Revenue (GGR), for each casino based on adult population density, aggregate income and distance between sites.

Caesars owns and operates 53 gaming properties worldwide. Its industry-leading loyalty program, Total Rewards, is a database containing demographics and the spending behaviors of more than 45 million members. Experienced in developing casino resorts, Caesars has successfully applied actual member data to the gravity model and established a systematic approach to estimate the GGR of current and anticipated competition across markets. The purpose of the gravity model is twofold: first to estimate the gaming market size in a region; and second to estimate the total GGR distribution amongst the individual casinos within the region.

Market penetration and income penetration are the two key assumptions of the gravity model. Market penetration indicates what percentage of the adult population has active gaming activities in a certain region. Income penetration indicates what percentage of household income is actually used in gaming activities for those active gaming participants. In a region higher market penetration and/or higher income penetration can lead to higher total gaming revenue. Caesars has used more conservative penetration rates to arrive at a Year 3 GGR of **REDACTE**. This conservative approach also assumes increased competition in Year 5 of Caesars New York's operations.

Margins

Margins are based on discrete FTE requirements and salaries, cost of sales, applicable taxes and licenses, marketing and other expenses by department using comparable properties across the brand including but not limited to Caesars properties in Atlantic City, NJ, Philadelphia, PA, Joliet, IL and Hammond, IN (Chicagoland), New Orleans, LA, Elizabeth, IN (Louisville area) and Las Vegas, NV.

Growth Rate

The gravity model provides steady-state gaming revenues for Year 3. Years 1 and 2 are based off of recent historical examples of newly opened property ramp rates. The gravity model was again utilized to arrive at a new steady-state in Year 8 after additional competition opens in Year 5 and ramp similarly over a 3 year period. After Year 3 spend per trip will increase at a **RE** inflation rate and the number of trips will grow **RE** per year until new competition arrives.

Revenue

Gaming revenue is based on the gravity model assuming a three year ramp to a steady state. Hotel, food and beverage, retail and other revenues are based on how many days each customer segment visits the property within a given year. The customer mix and visitation frequency, as well as how those visits translate to spend, is based on a variety of comparable properties across the brand including but not limited to Caesars properties in Atlantic City, Philadelphia, Joliet, New Orleans, Elizabeth, Hammond and Las Vegas.

Visitation and Database Growth

Based on the number of hotel rooms and steady-state gaming revenue, trip counts for various worth segments and lodger groups were estimated using data from various properties within the Caesars portfolio.

Hold Percentages

Hold percentages are based on comparable properties across the brand taking into account different gaming tax jurisdictions as well as customer reinvestment strategies pertaining to discounts and slot redemptions.

Win per Unit per Day (WPUPD) and Number of Positions

Caesars used proprietary slot and table count optimization models to split the gaming revenue determined by the gravity model and the resulting WPUPD metrics were compared against similar properties for reasonableness.

WPUPD Comps

As of March 2014 Trailing Twelve Months

Slot WPUPD	Table WPUPD
Rivers Chicago	797
Caesars New York	505
Caesars Palace	501
Resorts World Aqueduct	472
Harrah's Joliet	415
Harrah's Council Bluffs	405
Sands Bethlehem	387
Parx	387
Valley Forge	381
SugarHouse	360
Harrah's New Orleans	353
Horseshoe S. Indiana	339
Mohegan Sun at Pocono	334
Horseshoe Hammond	319
Rivers Pittsburgh	318
Empire City at Yonkers Raceway	316
Harrah's Philadelphia	291
Maryland Live	275
Caesars Palace	7,384
Rivers Chicago	6,625
SugarHouse	4,010
Maryland Live	3,679
Caesars New York	3,468
Harrah's Joliet	3,122
Sands Bethlehem	3,024
Horseshoe Cleveland	2,811
Horseshoe Hammond	2,602
Parx	2,397
Harrah's New Orleans	2,252
Rivers Pittsburgh	1,963
Valley Forge	1,878
Harrah's Philadelphia	1,878
Horseshoe S. Indiana	1,865
Mohegan Sun at Pocono	1,691

Included attachments:

- VIII. A.4._A1 Woodbury Market Size
- VIII. A.4._A2 10-Year Pro Forma Financial Model

Attachment VIII.A.4_A1

REDACTED

RED

REDA
CTED

Attachment VIII.A.4_A2

REDACTED



Business Plan

Caesars New York is anticipated to be an integrated casino with a 168,000 square-foot casino floor holding approximately 2,600 slot machines, 190 table games and 50 poker tables. In addition to the gaming space, the property is anticipated to contain a 300-room hotel, seven restaurants and/or bars and a 20,000 square foot entertainment facility. The property will also have an adjacent 4,260-space parking garage which will facilitate ease of access to the casino for its customers.

The following table provides a summary of the material revenue and expense lines for the business, while the remainder of this document will describe the plan to achieve these results:

REDACTED



Casino

Caesars New York will offer a world-class gaming experience. Caesars New York expects to offer 2,600 of the latest and most popular slot machines. Because Caesars operates 53 casinos worldwide, it has negotiated exclusive rights to offer certain slot themes that are not available to competitors. It is able to offer a more comprehensive slot gaming floor than any other gaming company. The data Caesars' casinos collects allows Caesars to respond quickly to changing customer preferences in a way that competitors cannot match.

Caesars New York will offer a complete array of 190 table games, including baccarat, blackjack, craps and roulette, among many other popular offerings. The property will feature multiple table games "pits," including a high-limit gaming area for VIP players who prefer a more private, attentive gaming experience.

A 50-table poker room bearing the World Series of Poker brand will be a key feature of the Caesars New York experience. Caesars owns and operates the World Series of Poker, the largest poker event in the country, featuring over 60 tournaments and 75,000 participants each summer in Las Vegas. The World Series of Poker culminates in the Main Event with its storied \$10,000 buy-in and television coverage on ESPN. Caesars New York will be the site for one of the World Series of Poker Circuit Events, a two-week series of tournaments that draw both traveling poker players and local talent. Throughout the year, Caesars New York will offer "satellite" tournaments, where the winner receives free entry into the aforementioned World Series of Poker Main Event. These satellites allow players to buy into a tournament for amounts as small as \$100 for the chance to gain entry into the Main Event, which features a first-place prize of over \$8 million.

In addition to the Circuit Event and satellite tournaments, Caesars New York will offer a daily schedule of tournaments and a variety of cash games, including the popular no-limit hold 'em, the growing game of pot-limit Omaha and 7-card stud, which has long been a player favorite in the Northeast. More games will be added upon player request.

High quality food and beverage offerings will be provided. All of the hospitality offerings will be at a standard comparable to Caesars Palace in Las Vegas, one of the most prestigious integrated resorts in the world.

Hotel

Caesars New York intends to attract guests from New York and beyond and will feature a hotel with 300 rooms. The style and furnishings will be at a standard comparable to Caesars Palace in Las Vegas, which has won the prestigious Forbes Four-Star Award for its Octavius and Augustus towers two years in a row. For VIP guests, Caesars New York will offer luxurious villas, complete with butler service and 24-hour concierge service. The rooms will feature contemporary décor featuring spacious living areas, luxurious bathrooms, state-of-the-art technology control panels, flat-screen televisions, entertainment systems, wireless internet and a custom in-room bar.

Food and Beverage

Caesars New York will offer several dining options for its guests, including a steakhouse, café, a noodle bar and in-room dining options available 24-four hours a day, seven days a week. The property will also feature a number of bars and lounges, offering guests a wide range of the finest in beverage options. In addition, Caesars New York will offer a Streets of New York food hall, with venues operated by third-party restaurateurs including local concepts.

The local connection will not end at the doors of the property. Caesars is engaging with local businesses and restaurants to accept the reward credits that guests earn through the Total Rewards network. This strategy has been very successful at other Caesars properties. For instance, the Caesars-owned Harrah's New Orleans has partnerships with local bars and restaurants, allowing guests to earn reward credits at the property and spend them at venues throughout the French Quarter. Harrah's New Orleans has spent more than \$95 million with dozens of local partner hotels and in excess of \$45 million with scores of local restaurants and attractions over the last 10 years.

Caesars understands that tourists and visitors want a culinary experience that they cannot get anywhere else. Caesars is at the forefront of forming partnerships with celebrity chefs, including Gordon Ramsay, Nobu Matsuhisa, Guy Savoy, Guy Fieri, Bobby Flay and Giada de Laurentiis. These restaurants are among the hottest reservations at other Caesars properties. Caesars New York is already in negotiations with celebrity chefs and will look to bring their famous dishes and personalities to the new resort.

Entertainment, Retail and Other

Caesars New York will use entertainment as another means to entice guests to visit the property. Caesars is the industry leader when it comes to live entertainment and features all sizes of shows. Contracts with entertainers such as Celine Dion, Elton John, Shania Twain and Britney Spears allow Caesars to book acts that may not otherwise perform at a given venue and is a competitive advantage versus other gaming competitors.

Caesars will explore bringing headliners on specific dates to Caesars New York. In addition, Caesars will use the entertainment venue as a marketing tool to build awareness and demand for visitation to the new property in New York. As an amenity, indoor and outdoor shows enhance the overall experience within the property, expanding the appeal to a broader audience. Similarly, shows at the entertainment venue will be advertised around the country, attracting entertainment-seekers to the resort. Both factors will help to grow gaming revenues for the property and for the State.

Caesars New York will offer an 8,300 square-foot spa and fitness center. The spa will be a key element in the overall luxurious offerings to guests and will offer a level of quality, service and experience that competes with the best spa offerings in the New York market. The fitness center will offer guests 24-hours a day, seven days a week access to high quality fitness and exercise equipment.



Ability to Finance

Caesars New York will be owned by Caesars Growth Partners, LLC ("CGP"), a joint venture between CACQ and subsidiaries of Caesars Entertainment Corporation ("CEC" or "Caesars Entertainment"). CACQ is listed on the NASDAQ Global Select Market and its common stock began trading on November 19, 2013. CAQ has 135,771,882 common shares outstanding. As of June 18, 2014, the market capitalization of the company was \$1.6 billion (based on a share price of \$12.00). Since there are no other direct subsidiaries of CACQ, and based on the 42% ownership of CGP, this implies CGP has an equity value of \$3.9 billion (or \$1.6 billion divided by 42%). CGP is able to access a variety of funding sources, including the public debt and additional equity. Initial meetings with several banks suggest Caesars New York would have no major issues securing financing with attractive terms.

There is a risk that market conditions will be unfavorable, which could lead to higher interest rates. However, as detailed in Exhibit VIII.A.6.c., Caesars has sufficient ability to pay increased interest. While the current equity contribution is in line with recent comparable details (see Attachment VIII.A.6.c._A1 for Caesars Gaming Construction Comps), Caesars has the ability to contribute more equity if necessary to secure financing. Included in Exhibit VIII.A.6.c. are highly confident letters from four banks.

Project Risks and Mitigants

Caesars New York will be susceptible to several business and financing risks, yet Caesars does not think these risks are strong enough to inhibit the property from being open and successfully operational.

- *Competition:* The property will face competition from resorts in New York, New Jersey, Pennsylvania and Massachusetts. Caesars took this competition into consideration when building its operating model and believe its assumptions regarding revenues (gaming, hotel, food and beverage), costs and associated cash flows are conservative. In addition, Caesars projected a decline in Net Revenue and EBITDA from Year 8 onwards to account for three potential new casinos opening near New York City in 2024 following the second round of license issuances in late 2021 – see summary table below for more detail. Even with this added pressure, the projections are cash flow positive and able to service all payments related to operations and debt.



Caesars New York Competitive Impact

	(\$ millions)										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Organic											
Net Revenue	526.6	648.6	700.5	720.9	741.8	763.1	785.3	808.2	831.7	855.9	
EBITDA	98.5	149.4	171.5	176.9	184.0	190.1	196.8	203.7	210.6	217.8	
Comp Impact											
Net Revenue	526.6	648.6	700.5	720.9	741.8	763.1	785.3	546.7	500.0	486.7	
EBITDA	98.5	149.4	171.5	176.9	184.0	190.1	196.8	110.6	90.0	82.8	
Var \$											
Net Revenue	-	-	-	-	-	-	-	(261.4)	(331.7)	(369.2)	
EBITDA	-	-	-	-	-	-	-	(93.1)	(120.7)	(135.0)	
Var %											
Net Revenue	0%	0%	0%	0%	0%	0%	0%	-32%	-40%	-43%	
EBITDA	0%	0%	0%	0%	0%	0%	0%	-46%	-57%	-62%	

- **Financing Risk:** Market conditions could be severe enough for Caesars to not obtain the adequate amount of financing at the best terms and price. Caesars has assumed the debt portion of the financing is completed with an all first lien term loan. In the event all the debt cannot be raised in the first lien markets, Caesars has multiple options in the debt markets, including second lien debt or unsecured debt. In addition, CGP has ~\$775 million of cash on hand pro forma for approximately \$450m of cash expected post the B-7 term loan closing. If needed, Caesars could use more cash equity to fund the project. Caesars could also issue new public equity to fund the project. CACQ directly owns 42% of CGP. As of June 18, 2014, the market capitalization of CACQ was \$1.6 billion (based on a share price of \$12.00), which implies an equity value of \$3.9 billion for CGP.
- **Interest Rate Risk:** There is a potential that market conditions weaken, leading the interest rate for the financing to potentially increase. In that case, Caesars anticipates to still meet the required interest reserve and future interest payments as it believes the anticipated cash flows from operations are adequate enough to service debt, interest, capital expenditures and tax payments. For example, if the interest rate spread increased by 2% (to L + 875 bps with 1% Floor) or total cumulative interest expense increased by \$70 million and the debt amount remained the same (i.e. cash equity provided would increase by the difference), Caesars would still meet all mandatory business payments (debt, interest, capital and taxes) with an amount leftover to reduce debt. See **Summary Cash Flow Model – Higher Interest** (VIII.A.6.c._A2) for more detail. Also, Caesars anticipates having additional liquidity from an undrawn revolver if need be.
- **Construction Risk:** There is a potential that costs could increase for certain materials and labor included in the budget. The budget includes owners' contingency of \$23 million (5% of hard costs), which Caesars expects is adequate to cover any cost overruns. Also, typical project financings usually require a

Guaranteed Maximum Price contract for 60-70% of hard costs, therefore Caesars expects these costs to be significantly covered. In addition, the revolver is expected to remain undrawn throughout construction, yet if needed, this facility can be used. Additionally, lenders typically require a completion guarantee for project financings. Caesars estimate lenders may ask for a completion guarantee of 5 – 10% of the hard costs from CGP, ensuring that CGP can contribute additional equity if the budget increases above the original financing assumptions. Even if there is no completion guarantee required by the lenders, CGP always has the option to contribute additional equity if the budget scope increases due to rising costs or deliberate additions to the project. CGP has ~\$775 million of cash on hand pro forma for approximately \$450m of cash expected post the B-7 term loan closing.

- *Budget Risk:* With various costs and invoices being billed month to month, there is a potential the budget is not accurately followed. Lenders will require a third party firm to approve the initial budget on their behalf and monitor the progress and spend monthly, providing updates in a certified report to the group. Also, most project financings require a monthly In-Balance test to show proof that funds spent are not higher than funds available. If this is not the case during any month, cash equity will be required to fund the remaining balance (CGP has ~\$775 million of cash on hand pro forma for approximately \$450m of cash expected post the B-7 term loan closing). Caesars has demonstrated being in balance monthly on all its recent projects including Horseshoe Baltimore and Horseshoe Cleveland and Cincinnati.
- *Lower Cash Flows:* EBITDA could be lower in the event that there is more impact from competition than expected or macroeconomic conditions worsen, causing consumers to spend less on leisure activities. This project has an excellent location, with direct highway and train station access and within close proximity to Woodbury Common Premium Outlets. The existing international tourism draws 13 million visitors annually to the area. Caesars also expects the property to benefit from access to the Total Rewards database, granting customers rewards for trips to destination markets like Las Vegas and New Orleans. Even if the property generates lower than anticipated cash flows, Caesars expects to generate enough free cash flows to cover debt, interest, capital expenditures and tax payments. See **Summary Cash Flow Model – Low Case** (VIII.A.6.b._A2) for more detail.
- *Operational Risk:* The property could open yet be inefficient from an operational perspective, thereby generating lower cash flows. As a proven operator of over 50 facilities world-wide, Caesars is the best suited applicant to mitigate any operational risks. Caesars uses its scale and market leading position, in combination with its proprietary marketing technology and customer loyalty programs, to foster revenue growth and encourage repeat business.
- *Environmental Risk:* The project site could face environmental issues depending on location and construction. Caesars has hired TRC Engineers to conduct an environmental study to assess the site. The



Phase I analysis (Attachment IX.A.2.b_A3) did not reveal any significant issues. A more detailed Phase II analysis will be conducted in the coming months.



Capital and Financing Structure

Financing Source Schedule

Caesars Acquisition Company (NASDAQ: CACQ), was formed on February 25, 2013 to make an equity investment in Caesars Growth Partners, LLC ("CGP"), a joint venture between CACQ and subsidiaries of Caesars Entertainment Corporation ("CEC" or "Caesars Entertainment"). CACQ **directly owns 42% of CGP** (and 100% of the voting membership units). There are no other direct subsidiaries of CACQ. **CGP will be the financing vehicle for the New York opportunity.**

CACQ is listed on the NASDAQ Global Select Market and its common stock began trading on November 19, 2013. CAQ has 135,771,882 common shares outstanding. As of June 18, 2014, the market capitalization of the company was \$1.6 billion (based on a share price of \$12.00). Since there are no other direct subsidiaries of CACQ, and based on the 42% ownership of CGP, this **implies CGP has an equity value of \$3.9 billion** (or \$1.6 billion divided by 42%).

CGP currently has no direct debt obligations. The entity currently has four main subsidiaries, each focused on the gaming and interactive entertainment industries. Each gaming and interactive subsidiary holds debt yet **CGP does not guarantee any of this subsidiary debt.** See **Organizational Structure** (Attachment VIII.A.6.a._A1) and **CGP Consolidated Debt** (Attachment VIII.A.6.a._A2) for more detail.

- Caesars Interactive Entertainment (76% owned by CGP): Caesars Interactive Entertainment is comprised of three distinct, but complementary businesses that reinforce, cross-promote and build upon each other: social and mobile games, the WSOP and regulated online real money gaming. This entity generated \$106.2 million of EBITDA as of LTM 3/31/14 and has \$95.8 million of debt outstanding (\$39.8 million owed to CEC and \$56 million owed to CGP) along with \$40 million of cash.
- Caesars Growth Properties Holdings (100% owned by CGP): Caesars Growth Properties Holdings ("CGPH") was formed in March 2014 and consists of Planet Hollywood, Bally's Las Vegas, The Quad, The Cromwell and Harrah's New Orleans. CGPH closed on the purchase of these properties on May 20, 2014 with a \$1,850 million debt financing and \$441 million of cash equity contributed from CGP. The Cromwell has a \$185 million term loan (which was raised in order to construct the property), and this debt was rolled into CGPH with the purchase of the asset. The Cromwell was under construction for the entire 2013 and through April of 2014, with the casino opening in April and the hotel and dayclub/nightclub opening in May 2014. CGPH generated \$272.3 million of EBITDA as of LTM 3/31/14. Total debt at this entity (\$1,850 million + \$185 million) equals \$2,035 million with unrestricted cash of ~\$30 million. There are additional funds in restricted accounts for the redevelopment of the Quad. Based on pro forma annual interest of ~\$163 million, LTM EBITDA of \$272.3 million covers the debt service more than 1.5x.



- Horseshoe Baltimore (41% owned by CGP): Horseshoe Baltimore is currently under construction and is expected to open in third quarter 2014. The property will include 2,500 slots, 100 tables, 30 poker tables, and various food and beverage options. This entity currently has a \$225 million term loan, which was raised in order to construct the property. Additional debt expected to be drawn (which has already been raised) includes a \$75 million delayed draw term loan and a \$30 million FFE facility.
- Debt Portfolio (100% owned by CGP): CGP owns \$1.1 billion of bonds issued by Caesars Entertainment Operating Company ("CEO"). In May 2014, CGP entered into an agreement with Caesars to sell approximately \$450 million of these bonds to Caesars, with an agreement to place an order for Caesars new Term Loan B-7 issuance with the proceeds. Proceeds from the Term Loan B-7 have been placed into escrow, and since the financing was oversubscribed, CGP expects to get cash in return for its full \$450 million order when the transaction closes. The transaction is expected to be complete upon obtaining all necessary regulatory approvals.

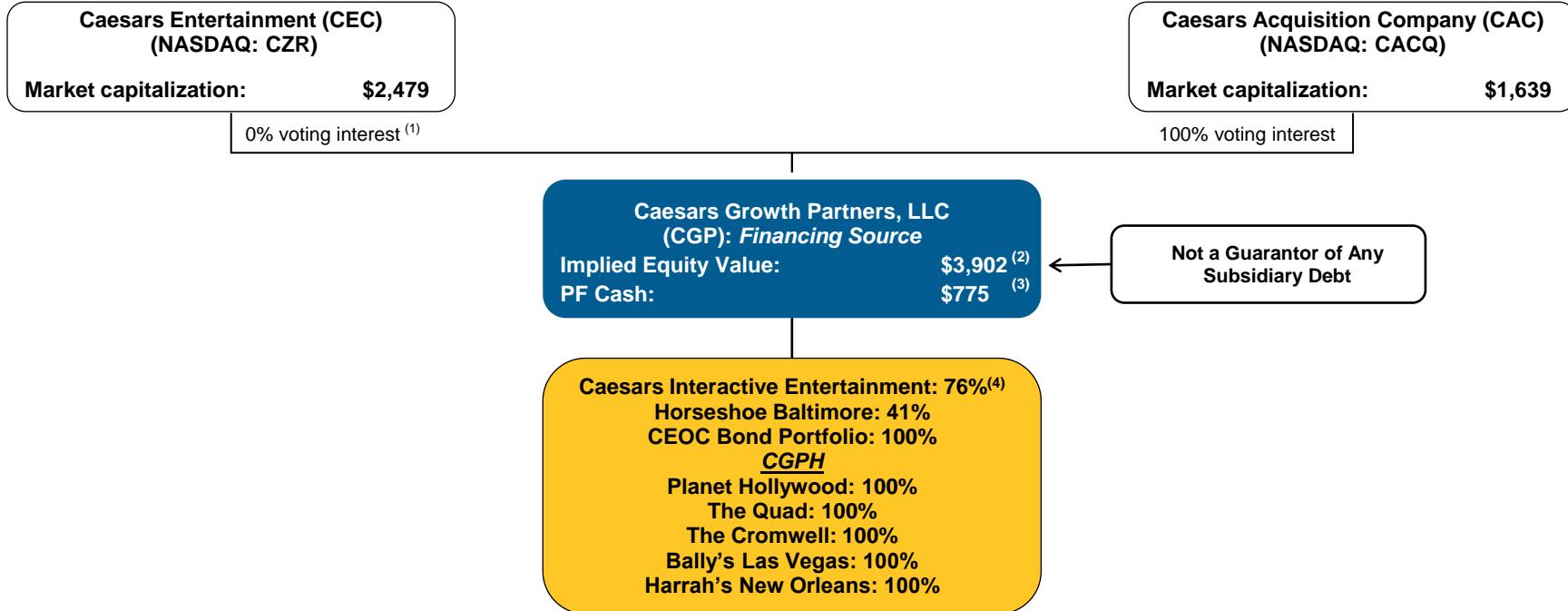
CGP has ~\$775 million of cash on hand. This total includes \$450 million received post the B- 7 term loan closing (described above), \$441 million used for the purchase of the four assets and \$50 million borrowed by CIE in order to fund an earn-out payment for an acquisition. This total does not include cash at CGP's subsidiaries as those amounts are expected to service debt and interest payments, maintain the properties, and fund acquisitions or growth projects within the entities. See **CGP Liquidity Overview** (Attachment VIII.A.6.a._A3) for more detail.

Attachment VIII.A.6.a_A1



Organizational Structure

(\$ in millions)



CGP has significant liquidity and value

Note: Market values as of May 30, 2014.

(1) Caesars Entertainment Corp. indirectly owns 58% of the economic interest in Caesars Growth Partners and 100% of the non-voting interest.

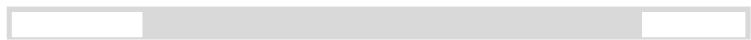
(2) Calculated as CACQ market capitalization of \$1,639 million divided by CACQ's 42% economic interest in CGP.

(3) Pro forma for the Las Vegas and New Orleans asset purchases. Does not include cash at Horseshoe Baltimore and CIE. Includes ~\$450 million of cash returned to CGP upon closing of the CEOC B-7 term loan.

(4) Represents fully-diluted ownership.

Attachment VIII.A.6.a_A2

REDACTED



Attachment VIII.A.6.a_A3

REDACTED



Capital and Financing Structure

Financing Descriptive

Caesars anticipates that the New York project will be funded with a combination of senior secured debt and cash equity. Caesars has received feedback from several relationship banks and general consensus was the project could be funded with the following structure: **A \$10 million Senior Secured Revolving Credit Facility, a \$660 million Senior Secured First Lien Term Loan and \$220 million (or 25% of the total sources) of cash equity provided by CGP.** This structure, terms and pricing are a reflection of the most conservative financing assumptions, including the lowest amount of revolver, highest interest rate and interest reserve amount, and highest percentage of cash equity from the indicated ranges provided by various banks. The pricing related to the term loan (**REDA** with a **R** Floor) is a result of the current capital market conditions, which are quite favorable for institutional term loans as there continue to be solid inflows from investors. Even with the strong market, Caesars has assumed the higher end of the interest rate range provided from its bank group (which was **REDACTE** with a **R** Floor). The structure is also in line with industry comparables and is subject to market conditions at the time of the capital raise. Stronger market conditions could allow Caesars to increase the revolver amount and term loan borrowing and lower the required minimum equity to 23% of total sources. See **VIII.A.6.c Description of Financing Plans - Debt Financing** for more detail on the financing structure.

The initial sources will be used on **project costs** (such as hard costs, systems and equipment, licensing fee, etc.) amounting to ~\$720 million, **interest reserve** amounting to **REDACTE** (modeling **R** months of pre-funded interest as a conservative requirement of the term loan), and **estimated fees associated with the debt financing** totaling ~\$24 million. Please see below for detailed breakdown of initial sources and uses

REDACTED



REDACTED

After the property has opened, it is anticipated to generate Base Case Adjusted EBITDA of **REDACTE REDACTE** and **REDACTE** in years 1, 2, and 3, respectively. The sources after the property has opened are primarily cash flow from operations as Caesars anticipates generating adequate cash flow to cover all debt, interest, capital expenditures and tax payments. Please see **Summary Cash Flow Model – Base, Low and High Cases** (Attachment VIII.A.6.b_A1) for more detail.

Attachment VIII.A.6.b_A1

REDACTED

REDACTED

REDACTED

REDACTED



Capital and Financing Structure

Financing Plans, Arrangements and Agreements

Caesars New York will be financed with a combination of **senior secured debt and cash equity** from Caesars Growth Partners (“CGP”). There will be **no new public equity issued in order to fund the project**. However, as noted in the Financing Source Schedule above, CACQ directly owns 42% of CGP. As of June 18, 2014, the market capitalization of CACQ was \$1.6 billion (based on a share price of \$12.00), which **implies an equity value of \$3.9 billion for CGP**.

Caesars has received feedback from several relationship banks and general consensus was the project could be funded with the following structure: **A \$10 million Senior Secured Revolving Credit Facility, a \$660 million Senior Secured First Lien Term Loan and \$220 million (or 25% of the total sources) of cash equity provided by CGP**. This structure and terms are in line with industry comparables (and previous Caesars project financing loans – see **Caesars Gaming Construction Comps** VIII.A.6.c_A1 for more detail) and is subject to market conditions at the time of the capital raise. See below in **Debt Financing** for more detail. Please refer to the **Capital and Financing Structure – CGP Liquidity Overview** (Attachment VIII.A.6.a._A3) for background and support on the cash total at CGP.

Debt Financing

The borrower for the debt financing of the project is expected to be a newly created, indirect, wholly-owned subsidiary of CGP (preliminary titled Woodbury Casino, LLC). The creation of this subsidiary is similar to the other entities currently owned by CGP. These subsidiaries were primarily formed in order for debt financing to be raised at the same level as the operating asset that is recourse to the loan. A majority of construction loans within the industry are structured in this manner. Woodbury Casino, LLC is expected to be 100% owned by a direct subsidiary of CGP, which is anticipated to be formed subject to regulatory approval. See attached **Organizational Chart** (VIII.A.6.c_A2.) for more detail.

The revolver is expected to be \$10 million and secured by a first priority interest in all tangible and intangible assets of the borrowing entity. The revolver is anticipated to have a five year tenor and be subject to the same covenant restrictions and pricing (without a LIBOR floor) as the term loan (described below). Caesars expects the revolver to remain undrawn throughout the construction of the project and do not anticipate drawing on the facility after opening (outside of funding potential small working capital swings or providing letters of credit needed for normal course operations).

The term loan is expected to be \$660 million and secured by a first priority interest in all tangible and intangible assets of the borrowing entity. The term loan is anticipated to have a 6-7 year tenor with an interest rate of **REDA** with a floor of **R** and issued at 99. Because Caesars wanted to remain with the most conservative assumptions and structure, this pricing is the high end of the range provided by its bank group (**REDACTE** with a **RE** floor). Favorable market conditions could drive Caesars to obtain the low end of that range (or an even lower rate). Caesars expects the term loan to be fully drawn upon closing of the financing and paid down throughout the life of the loan (as instructed per the



loan agreement). The Low Case provided in the **Summary Cash Flow Model** (VIII.A.6.b._A2) illustrates a stress case where free cash flows still cover debt, interest, capital expenditures and tax payments, with the assumption that the term loan is refinanced in year 7 (or earlier) with a similar interest rate. This is a conservative assumption given by year 7, the property will be generating strong cash flows and leverage will have been reduced substantially.

Other terms provided by Caesars' banks include various prepayment terms and limitations. Caesars will likely not be able to prepay the term loan (without penalty) for 1.5-2 years. Thereafter, the term loan can be repaid at premiums, starting at 3%-2% which Caesars expects to step down at 1% annually. Mandatory prepayments are customary for a construction loan, which include 100% pay down with proceeds from potential asset sales and insurance proceeds, 100% of net proceeds from any debt issuances and a percentage excess cash flow sweep based on leverage (with step-downs). The excess cash flow payment will likely not start until a full year of operations (or a full year of cash flows). Other customary covenants include limitations on debt, mergers and acquisitions, restricted payments, asset sales, liens and sale-leasebacks, and transactions with affiliates.

With guidance received from Caesars' banks and after reviewing industry comparables and previous project transactions, Caesars anticipates the credit facility will include at least one financial covenant, either a net first lien leverage (Senior Secured Debt – Cash / EBITDAM) or total net leverage (Total Debt – Cash / EBITDAM) test. In line with typical construction loans, Caesars does not expect the covenant to begin testing until at least two quarters post opening. Per the **Summary Cash Flow Model** (VIII.A.6.b._A2), Caesars expects to be below **RED** first lien leverage and **RED** net total leverage, declining to less than **RE** by year 3, in the Base Case. Caesars expects to structure these covenants with at least a 30% cushion, as seen in comparable construction loans and previous Caesars project financings (including Horseshoe Baltimore).

Caesars believes this financing structure and covenant package are in line with industry comparables and Caesars' previous construction transactions. The cash equity percentage of total sources (25%) that CGP is providing is more conservative than other construction financings that Caesars has raised. See **Caesars Gaming Construction Comps** (VIII.A.6.c_A1) for more detail.

However, it is important to note that this financing structure is tied to market conditions and is subject to change. Caesars expects that it can accommodate changes to the structure if need be. In addition, the access to public equity markets and the strong valuation implied at CGP (described above) provides more comfort and flexibility. Outlined below are potential risks for the financing:

- *Interest Rate Risk:* There is a potential that the interest rate range stated above may be wider than anticipated (if market conditions get worse). In that case, Caesars anticipates to still meet the required interest reserve and future interest payments as it believes the cash flows from operations are adequate enough to service debt, interest, capital expenditures and tax payments. For example, if the interest rate spread increased by 2% (to **REDA** bps with 1% **RED** or total cumulative interest expense increased by **REDACT** and the debt

amount remained the same (i.e. cash equity provided would increase by the difference), Caesars would still meet all mandatory business payments (debt, interest, capital and taxes) with an amount leftover to reduce debt. See **Summary Cash Flow Model – Higher Interest** (VIII.A.6.c_A3) for more detail. Also, Caesars anticipates having additional liquidity from an undrawn revolver if need be.

- *Construction Risk:* There is a potential that the project goes over budget. The budget includes owners' contingency of \$23 million (5% of hard costs), which Caesars expects is adequate to cover any cost overruns. Also, typical project financings usually require a Guaranteed Maximum Price contract for 60-70% of hard costs, therefore Caesars expects these costs to be significantly covered. In addition, the revolver is expected to remain undrawn throughout construction, but used if needed.
- *Competition:* The property will face competition from resorts in New York, New Jersey, Pennsylvania and Massachusetts. Caesars took this competition into consideration when building its operating model and believe its assumptions regarding revenues (gaming, hotel, food and beverage), costs and associated cash flows are conservative. In addition, Caesars projected a decline in Net Revenue and EBITDA from Year 8 onwards to account for three potential new casinos opening near New York City in 2024 following the second round of license issuances in late 2021 – see summary table below for more detail. Even with this added pressure, the projections are cash flow positive and able to service all payments related to operations and debt.

REDACTED

Caesars has received highly confident letters from several financial institutions outlining this financing structure – **see attached letters for more detail.**

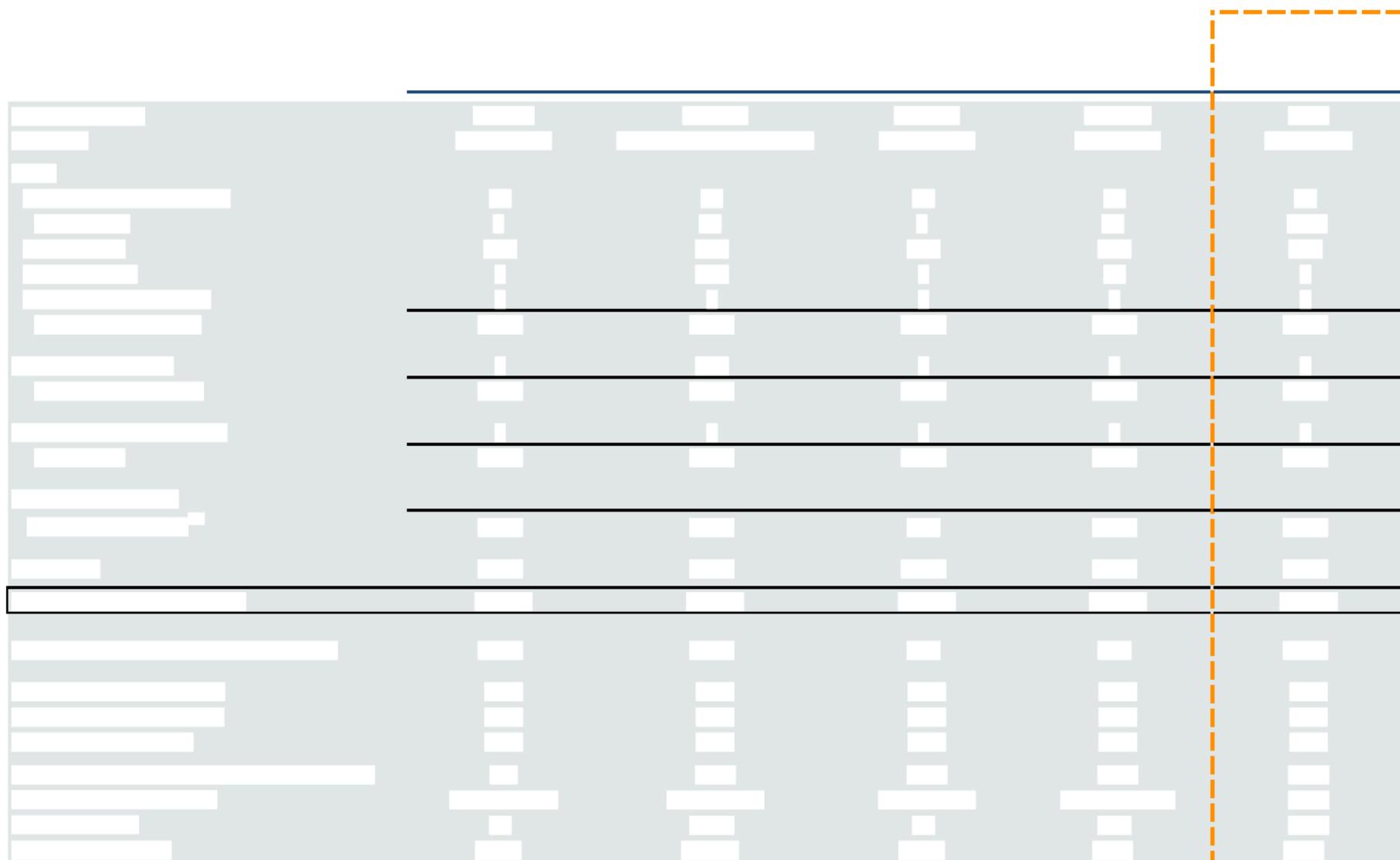


Attachments

- VIII.A.6.c_A1 Caesars Gaming Construction Comps
- VIII.A.6.c_A2 Organizational Chart
- VIII.A.6.c_A3 Summary Cash Flow Model – Higher Interest
- VIII.A.6.c_A4 Highly Confident Letter Nomura
- VIII.A.6.c_A5 Highly Confident Letter UBS
- VIII.A.6.c_A6 Highly Confident Letter Deutsche Bank
- VIII.A.6.c_A7 Highly Confident Letter Citi
- VIII.A.6.c_A8 Commitment Letter Credit Suisse
- VIII.A.6.c_A9 Information relating to Credit Suisse as a Financing Source

Attachment VIII.A.6.c_A1

REDACTED



Attachment VIII.A.6.c_A2

Caesars NY - Summary Cash Flow											
Base Case - +2% Interest (\$ millions)	Y0	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
Net Revenue	\$0.0	\$526.6	\$648.6	\$700.5	\$720.9	\$741.8	\$763.1	\$785.3	\$546.7	\$500.0	\$486.7
EBITDARM	-25.0	128.4	188.1	214.1	220.8	229.2	237.4	245.5	143.1	119.3	111.2
Less: Rent Expense	0.0	-8.3	-10.7	-11.8	-12.2	-12.6	-13.7	-14.2	-9.3	-8.5	-8.3
EBITDAM	-\$25.0	\$120.1	\$177.5	\$202.3	\$208.6	\$216.6	\$223.7	\$231.3	\$133.8	\$110.8	\$102.9
Less: Management Fee	0.0	-16.5	-21.8	-24.1	-24.9	-25.7	-26.5	-27.3	-17.6	-15.5	-14.9
Less: Unallocated Corporate Expense	0.0	-5.0	-6.2	-6.7	-6.9	-7.1	-7.3	-7.5	-5.2	-4.8	-4.7
Adj. EBITDA	-\$25.0	\$98.5	\$149.4	\$171.5	\$176.9	\$183.8	\$189.9	\$196.5	\$111.0	\$90.5	\$83.4
Less: Depreciation and Amortization	0.0	-40.5	-64.0	-55.9	-51.3	-49.2	-49.3	-52.3	-47.0	-40.1	-39.6
Less: Interest Expense	0.0	-65.7	-65.0	-51.5	-47.1	-37.9	-27.1	-16.9	-5.4	0.0	0.0
Less: Taxes	9.9	3.1	-8.1	-25.4	-31.1	-38.3	-44.9	-50.5	-23.2	-20.0	-17.3
Net Income	-15.1	-4.6	12.3	38.7	47.3	58.4	68.5	76.9	35.4	30.5	26.4
Cash	\$16.0	\$82.6	\$16.0	\$16.0	\$16.0	\$16.0	\$16.0	\$16.0	\$33.6	\$89.6	\$141.3
Revolver	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
First Lien Term Loan	660.0	653.4	508.7	422.4	336.8	250.2	155.4	49.8	0.0	0.0	0.0
Equity	240.5	235.9	248.2	286.9	334.2	392.6	461.1	538.0	573.5	603.9	630.3
Summary Free Cash Flow											
Adjusted EBITDA	-\$25.0	\$98.5	\$149.4	\$171.5	\$176.9	\$183.8	\$189.9	\$196.5	\$111.0	\$90.5	\$83.4
Maintenance Capital Expenditures	0.0	-5.3	-6.5	-14.0	-14.4	-22.3	-22.9	-23.6	-16.4	-15.0	-14.6
Cash Taxes	0.0	0.0	0.0	-20.5	-31.1	-38.3	-44.9	-50.5	-23.2	-20.0	-17.3
Cash Interest Expense (excess of Reserve)	0.0	-21.5	-63.7	-50.2	-45.8	-36.5	-27.1	-16.9	-5.4	0.0	0.0
Free Cash Flow	-\$25.0	\$71.8	\$79.2	\$86.8	\$85.6	\$86.7	\$94.9	\$105.6	\$66.0	\$55.5	\$51.5
Mandatory Debt Repayment	0.0	-6.6	-6.6	-6.6	-6.6	-6.6	-6.6	-6.6	-6.6	0.0	0.0
Optional Debt Repayment	0.0	0.0	-138.1	-79.7	-78.9	-80.0	-88.3	-99.0	-43.2	0.0	0.0
Change in Cash	-\$25.0	\$65.2	-\$65.5	\$0.5	\$0.0	\$0.1	\$0.1	\$0.1	\$16.1	\$55.5	\$51.5
Net Debt / EBITDAM		4.75x	2.78x	2.01x	1.54x	1.08x	0.62x	0.15x	-0.25x	-0.81x	-1.37x

Attachment VIII.A.6.c_A3

REDACTED

Attachment VIII.A.6.c_A4

REDACTED

REDACTED

REDACTED

Attachment VIII.A.6.c_A5

REDACTED

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Attachment VIII.A.6.c_A6

REDACTED

REDACTED

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Attachment VIII.A.6.c_A7

REDACTED

REDACTED

Attachment VIII.A.6.c_A8

REDACTED

Attachment VIII.A.6.c_A9

REDACTED

REDACTED



Capital and Financing Sources

Financing Plan Analysis

Current financial covenants required for compliance have not yet been established. With guidance received from Caesars' banks and after reviewing industry comparables, Caesars anticipates the credit facility will include at least one financial covenant, either a net first lien leverage (Senior Secured Debt – Cash / EBITDAM) or total net leverage (Total Debt – Cash / EBITDAM) test. In line with typical construction loans, Caesars does not expect the covenant to begin testing until at least two quarters post opening. Per the **Summary Cash Flow Model** (VIII.A.6.b._A1), Caesars expects to be below **RED** first lien leverage and **RED** net total leverage, declining to **RE** by year 3, in the Base Case. Caesars expects to structure these covenants with at least a 30% cushion, as seen in comparable construction loans and previous Caesars project financings (including Horseshoe Baltimore).

The financing source is expected to have no other agreements with financial covenants outside of the construction loan.



Capital and Financing Structure

Anticipated Financing Sources

After construction, Caesars expects **total debt to equal \$660 million and will consist solely of the first lien term loan** (outlined above in **Debt Financing**), subject to market conditions. Caesars expects the \$10 million revolver to remain undrawn. There is no unsecured debt that is expected to be raised for the project (prior to construction, during or post construction). This entity is also expected to have **no other material financial commitments, obligations or guarantees**. As noted in the Financing Source Schedule above, CACQ directly owns 42% of CGP. As of June 18, 2014, the market capitalization of CACQ was \$1.6 billion (based on a share price of \$12.00), which **implies an equity value of \$3.9 billion for CGP**. This access to public equity markets and the strong valuation implied at CGP provides more comfort and flexibility.

The term loan is expected to be paid down with free cash flows by the end of years 2 and 3 with outstanding balances of **\$REDACT** and **REDACTE** respectively, in the Base Case. Since Caesars expects the term loan to be non-callable for 1.5-2 years, there will be no paydown in year 1 except for the 1% mandatory amortization (a standard requirement in credit facilities). Caesars anticipates being able to pay down the term loan also in the low case (albeit at a slower rate). The Low Case provided in the **Summary Cash Flow Model** (VIII.A.6.b._A2) illustrates a stress case where free cash flows still cover debt, interest, capital expenditures and tax payments, with the assumption that the term loan is refinanced in year 7 (or earlier) with a similar interest rate. This is a conservative assumption given by year 7, the property will be generating strong cash flows and leverage will have been reduced substantially. See below and **Summary Cash Flow Model** (VIII.A.6.b._A2) for more detail.

RED
ACT
ED



Financial Statements and Audit Report

Financing Source Financial Statements

Attached are the Applicant's filings since its inception. Please note that the financing source is Caesars Growth Partners, whose financials are contained in an exhibit of the CAC financials.

The following attachments are included:

- VIII.A.7.a_A1 CAC Form 10K (FY2013)
- VIII.A.7.a_A2 CAC Form 10Q (3Q13)
- VIII.A.7.a_A3 CAC Form 10Q (1Q14)

Attachment VIII.A.7.a_A1

CAESARS ACQUISITION CO

FORM 10-K (Annual Report)

Filed 03/28/14 for the Period Ending 12/31/13

Address ONE CAESARS PALACE DRIVE
 LAS VEGAS, NV 89109
Telephone 7024076000
 CIK 0001575879
Symbol CACQ
SIC Code 7011 - Hotels and Motels
Fiscal Year 12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2013

or

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

For the transition period from _____ to _____
Commission File No. 001-36207

CAESARS ACQUISITION COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

46-2672999

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

One Caesars Palace Drive, Las Vegas, Nevada

(Address of principal executive offices)

89109

(Zip Code)

Registrant's telephone number, including area code:

(702) 407-6000

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

Name of Each Exchange on Which Registered

Class A Common stock, \$0.001 par value

NASDAQ Global Select Market

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The registrant consummated the initial public offering of its Class A common stock on November 19, 2013. The registrant's Class A common stock began trading on NASDAQ Global Select Market on November 19, 2013. As of June 28, 2013 , the last business day of the registrant's most recently completed second fiscal quarter, there was no established public market for the registrant's Class A common stock.

As of March 25, 2014 , the registrant had 135,771,882 shares of Class A Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2014 Annual Meeting of Stockholders are incorporated by reference in Part III of this Annual Report on Form10-K. Such Proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2013.

**CAESARS ACQUISITION COMPANY
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We have proprietary rights to a number of trademarks used in this Annual Report on Form 10-K that are important to our business, including, without limitation, World Series of Poker ("WSOP"), *Slotomania* and *Bingo Blitz*. In addition, Caesars Entertainment Corporation, our joint venture partner in Caesars Growth Partners, LLC, has proprietary rights to, among others, Caesars, Caesars Entertainment and Total Rewards. We have omitted the registered trademark (®) and trademark (™) symbols for such trademarks named in this Annual Report on Form 10-K.

PART 1

Item 1. Business

Overview

Caesars Acquisition Company

Caesars Acquisition Company (the "Company," "CAC," "we," "our" and "us"), a Delaware corporation, was formed on February 25, 2013 to make an equity investment in Caesars Growth Partners, LLC ("CGP LLC"), a joint venture between CAC and subsidiaries of Caesars Entertainment Corporation ("CEC" or "Caesars Entertainment"), and following the transactions described below, directly owns 100% of the voting membership units of CGP LLC, a Delaware limited liability company. CGP LLC was formed on July 16, 2013 for the purpose of acquiring certain businesses and assets of Caesars Entertainment and to pursue high-growth operating assets.

On October 21, 2013, the joint venture was formed between subsidiaries of Caesars Entertainment and CAC through the execution of the series of transactions described below (which are collectively referred to as the "Transactions"):

- (i) The Class A common stock of CAC was made available via a subscription rights offering by Caesars Entertainment to its shareholders as of October 17, 2013 (the "Rights Offering"), whereby each subscription right entitled its holder to purchase from CAC one share of CAC's Class A common stock or the right to retain such subscription right;
- (ii) Affiliates of Apollo Global Management, LLC ("Apollo") and affiliates of TPG Global, LLC ("TPG" and, together with Apollo, the "Sponsors") exercised their basic subscription rights in full and purchased \$457.8 million worth of CAC's Class A common stock at a price of \$8.64 per whole share;
- (iii) CAC used the proceeds from the exercise of the basic subscription rights in clause (ii) above to purchase 100% of the voting units of CGP LLC;
- (iv) CGP LLC subsequently used \$360.0 million of the proceeds received from CAC in clause (iii) above to purchase from Caesars Entertainment Operating Company, Inc. ("CEO"), a wholly-owned subsidiary of Caesars Entertainment (we refer to the following assets as the "Purchased Assets"):
 - a. the equity interests of PHWLV, LLC ("PHWLV"), which holds the Planet Hollywood Resort & Casino in Las Vegas ("Planet Hollywood");
 - b. the equity interests of Caesars Baltimore Investment Company, LLC (the "Maryland Joint Venture"), the entity that indirectly holds interests in the owner of the Horseshoe Baltimore Casino ("Horseshoe Baltimore") in Maryland, a licensed casino development project expected to open in the third quarter of 2014; and
 - c. a 50% interest in the management fee revenues of PHW Manager, LLC, which manages Planet Hollywood, and Caesars Baltimore Management Company LLC, which holds an agreement to manage the Horseshoe Baltimore.
- (v) Caesars Entertainment contributed all of the shares of Caesars Interactive Entertainment, Inc.'s ("Caesars Interactive" or "CIE") outstanding common stock held by a subsidiary of Caesars Entertainment and approximately \$1.1 billion in aggregate principal amount of senior notes held by a subsidiary of Caesars Entertainment (the "CEO Notes" and, together with the shares of CIE, the "Contributed Assets") to CGP LLC, in exchange for all of CGP LLC's non-voting units.

Prior to the consummation of the Transactions, Planet Hollywood was owned by PHW Las Vegas, LLC ("PHW Las Vegas"). On October 21, 2013, in connection with and prior to the closing of the Transactions, PHW Las Vegas contributed and assigned to PHWLV, a wholly-owned subsidiary of PHW Las Vegas, and PHWLV accepted and assumed from PHW Las Vegas, all of its assets and liabilities of PHW Las Vegas, including Planet Hollywood.

The closing of the Rights Offering for subscription rights not previously exercised by the Sponsors, and for any over-subscription privileges including over-subscription privileges exercised by the Sponsors, occurred on November 18, 2013 and CAC distributed a total of 135,771,882 shares of Class A common stock to the holders of subscription rights who validly exercised their subscription rights and paid the subscription price in full. CAC received aggregate gross proceeds from the Rights Offering of approximately \$1,173.1 million. Effective November 19, 2013, our common stock trades on the NASDAQ Global Select Market under the symbol "CACQ."

Pursuant to the terms of the Transactions, CGP LLC is obligated to issue additional non-voting membership units to Caesars Entertainment to the extent that the earnings from CIE's social and mobile games business exceeds a specified threshold amount in 2015. The number of units to be issued is capped at a value of \$225 million divided by the value of the non-voting

units at the date of the Transactions.

CGP LLC reimbursed Caesars Entertainment and CAC for approximately \$24.8 million for fees and expenses incurred in connection with the Transactions.

CAC serves as CGP LLC's managing member and sole holder of all of its outstanding voting units. CAC does not own any other material assets or have any operations other than through its interest in CGP LLC. Certain subsidiaries of Caesars Entertainment hold all of CGP LLC's outstanding non-voting units.

Asset Sale Transaction Agreement

On March 1, 2014, CAC entered into a Transaction Agreement (the "Agreement") by and among, Caesars Entertainment, CEOC, Caesars License Company, LLC ("CLC"), Harrah's New Orleans Management Company ("HNOMC"), Corner Investment Company, LLC ("CIC"), 3535 LV Corp. ("3535 LV"), Parball Corporation ("Parball"), JCC Holding Company II, LLC ("JCC Holding"), CAC and CGP LLC. The Agreement was fully negotiated by and between a Special Committee of CEC's Board of Directors (the "CEC Special Committee") and a Special Committee of CAC's Board of Directors (the "CAC Special Committee"), each comprised solely of independent directors, and was recommended by both committees and approved by the Boards of Directors of CEC and CAC. The CEC Special Committee, the CAC Special Committee and the Boards of Directors of CEC and CAC each received fairness opinions from firms with experience in valuation matters, which stated that, based upon and subject to (and in reliance on) the assumptions made, matters considered and limits of such review, in each case as set forth in the opinions, the Purchase Price (as defined below) was fair from a financial point of view to CEC and CGP LLC, respectively.

Pursuant to the terms of the Agreement, CGP LLC (or one or more of its designated direct or indirect subsidiaries) agreed to acquire from CEOC or one or more of its affiliates, (i) The Cromwell (f/k/a Bill's Gamblin' Hall & Saloon), The Quad Resort & Casino ("The Quad"), Bally's Las Vegas and Harrah's New Orleans (each a "Property" and collectively, the "Properties"), (ii) 50% of the ongoing management fees and any termination fees payable under the Property Management Agreements to be entered between a Property Manager (as defined below) and the owners of each of the Properties (the "Property Management Agreements"); and (iii) certain intellectual property that is specific to each of the Properties (together with the transactions described in (i) and (ii) above, the "Asset Sale Transaction") for an aggregate purchase price of \$2.0 billion (the "Purchase Price"), less outstanding debt to be assumed in the Asset Sale Transaction, and also subject to various pre-closing and post-closing adjustments in accordance with the terms of the Agreement.

The Asset Sale Transaction is subject to certain closing conditions, including the receipt of gaming and other required governmental approvals, accuracy of representations and warranties, compliance with covenants and receipt by CEC and the CEC Special Committee of certain opinions with respect to CEOC. In addition, the consummation of the Asset Sale Transaction by CAC is subject to CAC's receipt of financing on terms and conditions satisfactory to CAC and CGP LLC. The Agreement provides that, at the closing of the Asset Sale Transaction (the "Closing"), the owner of each Property will enter into a Property Management Agreement with the applicable Property Manager, pursuant to which, among other things, the Property Managers will provide management services to the applicable Property and CLC will license enterprise-wide intellectual property used in the operation of the Properties.

The Agreement contains customary indemnification obligations of each party with respect to breaches of their respective representations, warranties, covenants and obligations, and certain other designated matters, which in certain circumstances are subject to specified limitations on the amount of indemnifiable damages and the survival period in which a claim may be made. Additional indemnification obligations of CEC and the Sellers (as defined in the Agreement) include amounts expended for new construction and renovation at The Quad in excess of the \$223 million budgeted for renovation expenses (up to a maximum amount equal to 15% of such budgeted amount and subject to certain exceptions) and certain liabilities arising under employee benefit plans. In addition to the aforementioned indemnification obligations, the Agreement requires that CEOC ensure that the remaining amounts required to construct and open The Cromwell be fully-funded by CEOC, including providing a minimum amount of House Funds (as defined in the Agreement) in connection with the opening of The Cromwell. CEC and certain of its affiliates will indemnify CAC, CGP LLC and certain of their affiliates for a failure to open the hotel and casino at The Cromwell by a specified date and for failure to open the restaurant and nightclub at The Cromwell by a specified date.

The Property Management Agreements will be entered into at Closing by and between each of the four property management entities (each a "Property Manager" and collectively, the "Property Managers"), each of which (other than HNOMC, which is the existing manager of Harrah's New Orleans) will be formed as a wholly-owned subsidiary of CEOC, and each of the respective owners of the Properties (the "Property Owners"). The ongoing management fees payable to each of the Property Managers consist of (i) a base management fee of 2% of net operating revenues with respect to each month of each year during the term of such agreement and (ii) an incentive management fee in an amount equal to 5% of EBITDA for each operating year. CEOC will guarantee the obligations of the Property Managers under each of the Property Management Agreements.

Pursuant to the terms of the Agreement, the parties have agreed to use reasonable best efforts to establish a new services joint venture (the "Services JV") which will be jointly owned by CEOC, Caesars Entertainment Resort Properties LLC ("CERP"), and CGP LLC and certain of their respective subsidiaries. The purpose of the Services JV includes the common management of the enterprise-wide intellectual property, which will be licensed by the Services JV to, among other parties, each of the Property Owners, and shared services operations across the portfolio of CEOC, CERP and CGP LLC properties. The principal anticipated terms of the Services JV contemplated by the Transaction Agreement include the following: (i) CEOC will provide the Services JV with a non-exclusive, irrevocable, royalty-free license that includes the intellectual property that CEOC and its subsidiaries own but are used in the operation of CERP and CGP LLC assets under shared services agreements, or known as Enterprise Assets. CEOC and its subsidiaries will continue to own the assets licensed; (ii) Contribution to the Services JV by CGP LLC and CERP of cash in an amount to be determined; and (iii) Services JV will use cash contributions for capital expenditures relating to the maintenance, operation and upkeep of the Enterprise Assets and the acquisition of any new additional assets or services in connection with providing enterprise services to its members. The users of the services will reimburse Services JV for its share of any allocated expenses of Services JV attributable to such user, consistent with existing arrangements. The ultimate terms of the Services JV are subject to finalization and required regulatory approvals. Following the Closing, at CGP LLC's request and subject to receipt of any required regulatory approvals, the Property Management Agreements will be assigned to the Services JV which will thereafter perform the obligations of the Property Managers (in which case CEOC's guarantee of the obligations under the assigned Property Management Agreements will be released).

The Agreement is subject to termination if the Closing is not completed by June 30, 2014, which date may be extended until August 31, 2014 in certain circumstances.

The representations and warranties set forth in the Agreement have been made only for the purposes of such agreement and were solely for the benefit of the parties to the Agreement, may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures, may have been made for the purposes of allocating contractual risk between the parties to the Agreement instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors.

The foregoing description of the Agreement is only a summary, does not purport to be complete and is qualified in its entirety by reference to the full text of the Agreement which was filed with the SEC on March 3, 2014 as an Exhibit to Form 8-K.

In connection with the Transaction, on March 1, 2014, Caesars Growth Properties Holdings, LLC ("CGPH"), a wholly-owned subsidiary of CGP LLC, entered into a commitment letter (the "Commitment Letter") with Citigroup Global Markets Inc., Citibank, N.A., Citicorp USA, Inc., Citicorp North America, Inc. ("Citi"), Credit Suisse AG ("CS"), Deutsche Bank AG New York Branch and Cayman Islands Branch ("DB") and UBS AG, Stamford Branch ("UBS," together with Citi, CS and DB, the "Lenders"), pursuant to which, subject to the conditions set forth therein, the Lenders committed to provide \$1.325 billion in senior secured credit facilities (a \$1.175 billion senior secured term facility and a \$150 million senior secured revolving facility) and \$675 million in second lien indebtedness to consummate the Asset Sale Transaction and to refinance Planet Hollywood's existing indebtedness, on or prior to the Closing Date.

Caesars Growth Partners, LLC

CAC's sole material asset is its interest in CGP LLC. As a result, we believe the financial statements of the businesses and assets contributed to or acquired by CGP LLC in the Transactions are relevant to the investor because these statements present the financial position and results of operations of CGP LLC in greater detail. For accounting purposes, the historical financial statements of the businesses and assets contributed to or acquired by CGP LLC prior the Transactions are considered the predecessor to CAC.

CGP LLC is a casino asset and entertainment company focused on acquiring and developing a portfolio of high-growth operating assets and equity and debt investments in the gaming and interactive entertainment industries. Certain subsidiaries of Caesars Entertainment own all of the outstanding non-voting units of CGP LLC and are the majority economic owners of CGP LLC, and therefore have a large direct stake in CGP LLC's financial performance and growth potential. Through its relationship with Caesars Entertainment, CGP LLC has the ability to access Caesars Entertainment's proven management expertise, brand equity, Total Rewards loyalty program and structural synergies. With 45 million members, the Total Rewards loyalty program is considered to be one of the leading loyalty rewards programs in the casino entertainment industry, as evidenced by Caesars Entertainment receiving COLLOQUY's Master of Enterprise Loyalty Award in September 2012 and again in September 2013 - the first company to ever win the award more than once.

Through its two segments – Interactive Entertainment and Casino Properties and Developments – CGP LLC is focused on acquiring or developing assets with strong value creation potential and leveraging interactive technology with well-known online brands. CGP LLC's Interactive Entertainment segment consists of CIE, which has three businesses: social and mobile games, the Word Series of Poker ("WSOP") and regulated online real money gaming. CGP LLC's Casino Properties and Developments segment consists of Planet Hollywood, the Horseshoe Baltimore and a 50% interest in the management fee

revenues to be received by CEOC in connection with the management of Planet Hollywood and Horseshoe Baltimore. In addition, CGP LLC owns a portfolio of debt investments consisting of the CEOC Notes. The CEOC Notes are expected to provide CGP LLC with additional cash flow to fund future investment and acquisition opportunities.

When we consider new investment and acquisition opportunities, except for any expansion, add-on or additional investment in respect of any existing gaming property of CGP LLC or its subsidiaries, or except for any potential future investment or acquisition by CIE, we will be required to submit them to Caesars Entertainment. A committee of the board of directors of Caesars Entertainment comprised of disinterested directors will make the determination on behalf of Caesars Entertainment to (1) pursue any potential projects itself or (2) decline the project for itself, after which CGP LLC may elect or decline to pursue the project. Although not required, we anticipate that any future investment and acquisition opportunities undertaken by CGP LLC will be managed by Caesars Entertainment and its subsidiaries. The CGP Operating Agreement includes a framework with respect to the structuring of compensation related to future projects between Caesars Entertainment and CGP LLC. In the event Caesars Entertainment declines an opportunity and CGP LLC undertakes the opportunity, CGP LLC is expected to retain a 50% interest in the management fee to be received by Caesars Entertainment, unless otherwise agreed, and CGP LLC will acquire 100% of the new investment opportunity.

Interactive Entertainment

CGP LLC owns approximately 90.2% of CIE as of December 31, 2013, which could be reduced in June 2014 to approximately 84.5% upon conversion of the \$47.7 million convertible promissory note issued by CIE to Rock Gaming LLC ("Rock Gaming") (subject to required regulatory approval), in each case not giving effect to any options, warrants, restricted stock units and restricted stock.

Details of CIE's three businesses follow below.

Social and Mobile Games. CIE has become one of the world's leading interactive social and mobile casino-themed game providers. CIE's current portfolio of games includes *Slotomania*, which was one of the top ten highest grossing casino-themed games on the Facebook, Apple iOS, and Android platforms as of December 31, 2013, according to App Annie and www.facebook.com/appcenter. Additionally, in December 2012, CIE acquired substantially all of the assets of Buffalo Studios LLC ("Buffalo Studios"), including the application *Bingo Blitz*, which is a leading bingo game on Facebook, Android and Apple iOS. CIE's launches of the *Caesars Casino* application on Facebook in January 2012 and the *Caesars Slots* application on mobile platforms in the third quarter of 2013 were the earliest visible instances of how CIE intends to leverage its relationship with Caesars Entertainment in the future. In May 2013, CIE acquired the *World Series of Poker* social and mobile game assets and intellectual property from Electronic Arts and re-launched a new version of the game in December 2013.

Regulated Online Real Money Gaming. CIE has built the foundation for regulated U.S. online real money gaming environment. While online real money gaming has not been legalized at the federal level, Nevada has approved interactive gaming regulations allowing for intrastate online poker, and Delaware and New Jersey have each passed online real money gaming laws, for both poker and casino games. In February 2014, Nevada and Delaware leaders signed the Multi-State Internet Gaming Agreement, establishing a legal framework for the first authorized interstate Internet gambling.

The World Series of Poker. CIE has derived considerable benefit from growing and building upon its ownership and management of the WSOP franchise. The WSOP, which was founded in 1970, had 79,471 entrants in its flagship annual tournament in Las Vegas in 2013. The WSOP also benefits from a television contract with ESPN through 2017 and sponsorship agreements with a number of leading brands. CIE also has a WSOP branded social and mobile game available on the Facebook platform, on the Amazon Kindle, Android devices, all Apple iOS devices and a branded game with Microsoft for the Xbox Live platform. CIE is positioning the WSOP brand to be one of the leading poker sites in Nevada and New Jersey, and in other states, if any, that legalize online real money poker in the future.

CIE obtained a license in Nevada to operate online poker and launched *WSOP.com* in September 2013. A subsidiary of CIE applied for and received its internet gaming permit and launched online poker and online casino games in New Jersey in November 2013 under the WSOP, Caesars and Harrah's brands. CIE is actively participating in the U.S. lobbying effort for other states to follow Nevada, Delaware and New Jersey's lead, and is also supportive of a Federal framework. Outside of the United States, CIE began offering real money online gaming in the UK under the WSOP and Caesars brands in 2009. In tandem with its lobbying efforts in the United States, CIE recently secured the use of two online real money poker software platforms for use primarily in the U.S. market: 888 poker software ("888") through a licensing agreement and Barrière Poker through a source code assignment and co-development agreement. CIE has launched on the 888 platform in Nevada under the WSOP brand and in New Jersey under the *WSOP.com* and *Harrahscasino.com* brands. In addition, CIE licensed the Amaya casino platform for the launch of *Caesarscasino.com* in New Jersey.

Products

Social and Mobile Games

CIE designs its portfolio of games to appeal to the interests of the broad group of people who like to play casino-themed social and mobile games. CIE's social games leverage the global connectivity and distribution of Facebook, other social networks, such as VKontakte, Mail.ru and Odnoklassniki.ru in Russia, as well as mobile platforms such as Apple's iOS and Google's Android. The social design of CIE's games is at the core of how the players experience its games. CIE's games encourage players to quickly connect with their friends when they start a game and to build and enhance these relationships throughout the game experience.

CIE's social and mobile games are free to play, focus on casino related themes and attract a community of players that is demographically and geographically diverse. CIE analyzes the data generated by its players' game play and social interactions to guide the creation of new content and features. CIE uses this ongoing feedback to maintain compelling games and to enhance the player experience. CIE operates games as a live service and believes that the quality, ongoing creation of fresh content, unique promotional elements, new product features and social connectivity of its games are the keys to its repeated success.

While CIE's social and mobile games are free to play, they are designed to inspire and enable the players to compete against their friends and the broader online community. Players can choose to advance in CIE's games, and thereby unlock additional games or stages, by acquiring virtual goods through game play or by purchasing services or completing surveys from other participating online providers, receiving virtual goods as gifts from friends or purchasing virtual goods. Virtual goods are digital representations of real world goods, such as virtual coins in *Slotomania*, *Bingo Blitz*, *Caesars Casino* and the *World Series of Poker* social and mobile game. We believe CIE's players' acquisition, gifting and purchase of virtual goods create social interaction that increases players' engagement with CIE's games and with each other.

Consistent with CIE's business model, only a small portion of CIE's social and mobile game players pay for virtual goods. For 2013, CIE had approximately 203 thousand average Monthly Unique Payers (as defined below) or 1.4% of the total number of average Monthly Unique Users (as defined below) on its social and mobile platforms during this period purchase virtual goods. The sale of virtual goods constitutes CIE's primary source of revenue for its social and mobile games businesses. While it is expected that the number of unique paying players will continue to constitute a small portion of CIE's overall players as its business grows, CIE plans to increase content selection, introduce new game features and continue to evolve the loyalty programs in CIE's titles to increase the sales of virtual goods.

Descriptions of some of CIE's leading games are provided below:

Slotomania, CIE's free-to-play social slot-style game was launched in December 2010 on Facebook. According to www.facebook.com/appcenter, *Slotomania* is the most popular slot-themed game on Facebook, and was a top-ten grossing casino-themed game in over 45 markets worldwide as of December 31, 2013. In addition to Facebook and Apple iOS, *Slotomania* is available via Android, Yahoo! Games, Amazon App Store, Google+, *Slotomania.com*, Spil Games, three Russian social networks and Yahoo! Japan. *Slotomania* is also available on Facebook in 12 languages.

Bingo Blitz, one of CIE's free-to-play social bingo-style games which was launched in October 2010 on Facebook, invites players to win, buy, or acquire power ups, coins, and experience points to achieve bingos and complete virtual good collections. Players can choose from an array of bingo rooms themed in the style of various themes including cities and countries from around the world, and compete both solo and in teams to unlock all of the collection items and bingo rooms. *Bingo Blitz* is available via Apple iOS, Android, and the Amazon App Store.

Caesars Casino, CIE's first branded free-to-play social casino-themed game, currently provides players with the choice between games based on classic slot, blackjack and roulette themes. A beta version was launched in January 2012, and in April 2012, CIE integrated the Total Rewards loyalty program into *Caesars Casino* to allow its customers to earn Total Rewards loyalty program credits when purchasing virtual goods on Facebook. In the third quarter of 2013, the *Caesars Casino* application launched on mobile platforms, including the Apple iOS mobile platform, under the Caesars Slots brand.

The *World Series of Poker* is a social and mobile poker game on Apple iOS, Android, Amazon and Facebook. CIE acquired the rights to this game from Electronic Arts as part of terminating its prior brand license agreement. CIE continues to add additional features and functionality to this game and re-launched a new version of the game in December 2013.

Regulated Online Real Money Gaming

In Nevada, CIE received its operator's license in December 2012 and launched *WSOP.com* in September 2013. In November 2013, CIE started offering three regulated online real money gaming websites in New Jersey that are using and promoting the Caesars and WSOP brands: www.CaesarsCasino.com, www.HarrahsCasino.com and www.WSOP.com.

CIE is also currently offering three regulated online real money gaming websites in the UK that are using and promoting the Caesars and WSOP brands. These three websites—www.wsop.co.uk, www.caesarscasino.co.uk and www.caesarsbingo.co.uk—primarily focus on poker, casino and bingo related games, respectively.

CIE's real money gaming software license agreements with 888 and Amaya underpin its operation and preparation for further legalized real money gaming in the United States. 888 provides the front and back office services for CIE's U.S. poker offering, thereby allowing CIE to focus where it is strongest, which is branding and marketing, including the online acquisition and retention of customers. In March 2013, 888 received a software provider license in Nevada. CIE launched its *WSOP.com* real money gaming business in Nevada on 888's platform and launched its online real money gaming business in New Jersey on 888's platform for the *WSOP.com* and *Harrahscasino.com* offerings after having received its internet gaming permit in New Jersey in November 2013. In addition, *Caesarscasino.com* was launched on Amaya's casino platform. The combination of these agreements provides CIE with two software alternatives and the ability to employ a multi-brand and multi-platform strategy if CIE so chooses.

The World Series of Poker

CIE markets the WSOP brand through three distinct platforms: live events, licensing and sponsorships.

Live Events. The signature WSOP live event, the WSOP Las Vegas, was established in 1970 and has occurred annually at the Rio Hotel and Casino in Las Vegas for the past eight years, with an arrangement for the tournament to stay at the Rio through 2016. The 2013 WSOP Las Vegas drew 79,471 entrants from over 100 countries in its championship "bracelet" events and approximately 75,000 additional entries for side tournaments.

CIE's current contract with ESPN provides that the WSOP Las Vegas will be carried on ESPN and ESPN2 through 2017, with at least 32 hours of original programming annually. CIE receives advertising air-time within all aired episodes on every ESPN platform.

Since 2005, the WSOP Las Vegas has been complemented by WSOP circuit events, a regular season of poker tournaments running from August to May each year (the "WSOP Circuit Events"). For the 2012/2013 season, the tour included 19 stops in the United States and one in Canada with approximately 80,000 participants in the circuit. The 2013/2014 season has grown to include 20 tour stops in the United States and two events in Canada. CIE believes there will be more than 80,000 participants in the WSOP Circuit Events during the 2013/2014 season. ESPN broadcasts the National Championship with plans to debut the 2014 edition in July 2014. The WSOP Circuit Events and the National Championship give the WSOP brand year-round North American relevance and customer acquisition opportunities.

The WSOP Europe event was established in 2007 and was originally held in London, England. In 2011, the WSOP Europe was relocated just outside Paris, France which was in conjunction with CIE's relationship for online gaming with Groupe Lucien Barrière, a leading land-based casino company in France and an affiliate of Barrière Poker. The WSOP Europe occurs each fall and has been broadcast by ESPN since 2008. The WSOP Europe has been crucial in establishing the WSOP brand in European jurisdictions where online poker is regulated.

Established in 2012 by CIE in conjunction with Crown Limited, the World Series of Poker Asia-Pacific ("WSOP APAC") is the second live tournament brand extension internationally for the WSOP. The Inaugural WSOP APAC was held from April 4 to April 15, 2013 in Melbourne, Australia at the Crown Entertainment Complex, site of the successful Aussie Millions poker tournament. WSOP APAC offered five WSOP gold bracelets, a high-roller tournament and the Caesars Cup invitational event. ESPN broadcasted six hours of WSOP APAC programming in more than 100 countries, including Australia, New Zealand and the United States. The WSOP APAC event is expected to occur every two years.

Licensing. CIE licenses the WSOP brand for consumer products, allowing CIE to expand its brand through mainstream channels. WSOP licensed products, from playing cards and poker chips to lifestyle apparel are sold in such retailers as Target and Lids. Eight states have also sold WSOP branded instant-win lottery tickets since 2009. In addition, WSOP launched a branded poker offering with Microsoft for their Xbox Live platform in September 2013.

Sponsorships. CIE is pursuing promotional partnerships with a variety of brands. Event sponsors in 2013 included Miller Lite, Red Bull, Frito-Lay and Jack Link's. These partnerships typically include marketing activities promoting the WSOP brand as well as retail promotions awarding entry to WSOP events. In addition, broadcasts of WSOP events often carry advertisements for the sponsored products, further integrating the WSOP brand. CIE has the exclusive rights to sell camera-visible brand placements within its television and live Internet broadcast programming.

Information Technology

Social and Mobile Games

The technology stack used to support CIE's social and mobile games platforms was designed to support its growth by having elasticity to adapt and conform to the varying demands and inherent changes in CIE's business. CIE's goal is to ensure

that its technology infrastructure has full redundancy capability. The code base and logic that has been developed for CIE's games has been custom-built and deployed across its technology stack to ensure that the core components within each engine of its games are able to be easily repeated as CIE releases new games. One of the key features of how CIE develops its games is the ease of portability to a wide variety of social and mobile games networks and platforms. CIE's art development and graphic design teams use sophisticated graphics to ensure the players of its games have a high quality experience.

Regulated Online Real Money Gaming

Since 2009, CIE has been working with 888 and its business-to-business arm, Dragonfish, in the regulated UK market. Dragonfish provides CIE with 888's online gaming platform in addition to a suite of back-office operational services such as customer service, technical support and e-payments. The Nevada Gaming Commission has approved CIE's relationship with Dragonfish for operation of the WSOP website in the UK. See "Gaming Regulation Overview — Internet and Land-Based Poker Tournaments — UK Operations" and "Gaming Regulation Overview — Internet and Land-Based Poker Tournaments — Nevada Regulations" in Exhibit 99.2 of this annual report. CIE has extended its licensing agreement with 888 in the U.S. through a Platform Development and Service Agreement entered into with 888 in January 2012 and amended in August 2013 (as amended, the "Platform Agreement"). Together with 888, CIE received regulatory certification in Nevada for the September 2013 launch of *WSOP.com*. The Platform Agreement provides that 888 will develop and service a WSOP-branded online real money gaming platform for use in any United States jurisdiction where online real money gaming becomes legalized. 888 receives a portion of the revenue derived from that platform and will be reimbursed for certain expenses up to a certain amount. Set-up costs funded by CIE will be reimbursed to CIE by 888 by reduction of its future revenue share payments. Additionally, 888 assumed all platform development costs incurred in the adaptation of the platform for New Jersey. While CIE is responsible for procuring, retrofitting, and hosting the general infrastructure for the datacenter premises for the New Jersey platform, 888 set-up and now operates the datacenter. The Platform Agreement also obligates 888 to provide front and back office services for CIE's United States online real money poker offering. The term of the Platform Agreement expires in September 2018. 888's application as an Internet Gaming Service Provider has been approved by the Nevada State Gaming Control Board (the "Nevada Board") and New Jersey Division of Gaming Enforcement ("DGE").

CIE has been further developing its propriety platform. Since the passage of legislation in Nevada and New Jersey for online gaming, CIE has been focused on the development of an interactive poker platform and will introduce casino games as part of the offering. CIE is steadily pursuing this strategy with the long-term goal of launching interactive poker and casino platforms where legal in the United States. The combination of these two platforms provides CIE with flexibility, redundancy and the ability to employ a multi-brand strategy if CIE so chooses. In addition, on September 20, 2013, a subsidiary of CIE and an affiliate of Amaya entered into a platform and services agreement pursuant to which Amaya will provide online casino platform services in New Jersey in exchange for a share of net gaming revenue for the Caesars Casino brand. Pursuant to applicable law, New Jersey gaming authorities issued Amaya a transactional waiver following a favorable determination in connection with a preliminary investigation and authorized Amaya to engage in Internet gaming activities. A plenary license will be issued to Amaya after the full investigation of Amaya is completed.

Marketing

CIE has been able to build a large community of players through the viral and sharing features provided by social networks, the ease of finding top applications in the various mobile "App Stores" and the social innovations of its games. Moreover, CIE leverages its expertise from the online gaming industry to drive significant traffic, such as working with marketing affiliates, trading traffic with other game developers and using banner exchanges. In the future, we expect that the network effects of CIE's many game offerings and its cross marketing relationship with Caesars Entertainment will be additional channels to acquire players. CIE is also committed to connecting with its players. CIE has fan pages, generally on Facebook, for each of CIE's games to connect with its players. CIE also uses traditional advertising activities such as online advertising spending with Facebook and the use of third-party media buyers. In Nevada and New Jersey, we believe the WSOP database of poker players and Total Rewards database of casino players will be important acquisition channels in addition to traditional techniques such as television and online advertising. CIE's WSOP events are primarily marketed through media features and news coverage.

Total Rewards loyalty program customers are able to earn Reward Credits by purchasing virtual coins in Caesars Casino and Caesars Slots social games. Total Rewards loyalty program members can redeem Reward Credits for amenities at Caesars Entertainment's facilities or other items such as merchandise, gift cards and travel.

Casino Properties and Developments

CGP LLC's portfolio of casino-related assets consists of Planet Hollywood and an investment in a casino project under development in Baltimore, Maryland, the Horseshoe Baltimore. In addition, CGP LLC is entitled to a 50% interest in the management fee revenues received by certain subsidiaries of CEOC in connection with the management of Planet Hollywood and Horseshoe Baltimore. Planet Hollywood and the interest in the Planet Hollywood management agreement provide a current

base of cash flow to supplement CGP LLC's ongoing development opportunities, including its investment in the Maryland Joint Venture.

Details of CGP LLC's existing operating and development projects are shown in the table below.

Property	Location	Status	Ownership
Planet Hollywood Resort and Casino	Las Vegas, NV	Operating	100%
Horseshoe Baltimore	Baltimore, MD	Under development	52%

⁽¹⁾ Represents an indirect ownership in the Maryland Joint Venture, through a 58.5% ownership in CR Baltimore Holdings LLC, the developer of the Maryland Joint Venture, which in turn has an 88.6% direct interest in the Maryland Joint Venture. Following the closing of the CVPR Sale described below, CGP LLC's indirect economic ownership of the Maryland Joint Venture will be approximately 41.4% .¹

Planet Hollywood Resort & Casino

Planet Hollywood, which was originally constructed in 2001 and renovated in 2007, is a casino resort located on the Las Vegas Strip in Las Vegas, Nevada. Planet Hollywood was acquired by Caesars Entertainment in February 2010 and is managed by a subsidiary of CEOC and therefore benefits from Total Rewards, one of the leading loyalty rewards programs in the casino entertainment industry. Planet Hollywood benefits from its prime location on a 35-acre site on the east side of the Las Vegas Strip and is part of a contiguous strip of casinos owned by Caesars Entertainment, with which it shares certain services and costs.

Planet Hollywood includes a 2,500 -room hotel, which offers deluxe guestrooms and suites. The facility also has an outdoor pool area and an approximately 32,000-square foot spa that is leased to a third party. In addition, the facility adjoins to a retail mall, the Miracle Mile Shops, with 170 retailers and 15 restaurants, and a 1,200 room timeshare tower operated by Hilton Grand Vacations. The adjoining mall and timeshare tower, as well as the additional amenities featured at Planet Hollywood, stimulate additional traffic through the Planet Hollywood complex, including the casino and its amenities.

Planet Hollywood's 64,500 square foot casino features approximately 1,100 slot machines and 90 table games. The casino offers a diverse selection of the most popular slot and video poker machines in a wide variety of denominations, and is also home to a race-and-sports-books facility. The casino's live table games include traditional blackjack, craps and roulette, in addition to a variety of other popular games, such as Baccarat and Pai Gow Poker. Planet Hollywood's casino also offers daily poker tournaments in an 11 table World Series of Poker-branded poker room, as well as a variety of live poker games including Texas Hold 'Em and other casino poker games.

Planet Hollywood complements this product offering with both a high limit table game area featuring 14 high limit table games as well as a high limit slot area featuring over 63 high denomination slot machines. Additional amenities, such as an exclusive enclosed lounge and VIP cage access, target the needs of the Planet Hollywood VIP customer base.

Planet Hollywood also features the following amenities:

- thirteen food and beverage outlets, seven of which are operated pursuant to leases with third parties, including a restaurant leased to P.F. Chang's, a 24-hour casual dining facility known as Planet Dailies, Koi (a high end Japanese restaurant), Strip House (a high-end steak house), Yolos (a Mexican-themed restaurant), Earl of Sandwich (a casual sandwich shop), Pink's (a classic hot dog and hamburger restaurant), and the remaining six of which are owned and operated by Planet Hollywood, including Gordon Ramsay BurGR, Pin-up Pizza, a buffet, a poolside snack bar, and two Starbucks outlets;
- the EXTRA Lounge, the Heart Bar and the Playing Field Lounge are owned and operated by Planet Hollywood and the Koi Lounge operated by third parties;
- gift and merchandise shops operated by the Marshall Retail Group;
- over 80,000 square feet of convention, trade show and meeting facilities, including a 37,000-square foot main ballroom, 10,000 square feet of pre-function space and 15,000 square feet of breakout space in 18 separate rooms; and
- a 7,500-seat theater (recently rebranded as The AXIS Powered by Monster at Planet Hollywood Resort & Casino) which is owned by Planet Hollywood and has a booking and marketing partnership with Live Nation, the world's largest concert promoter, is used for award shows, live music events and is currently home to Britney Spears' show "A Piece of Me," and a 1,300-seat theater (known as the Showroom), which is part of Planet Hollywood, home to a nightly show and high-profile headline entertainers and leased to BZ Clarity Theatrical-LV, LLC.

Adjoining the property is also:

- the Miracle Mile Shops, which is a themed entertainment shopping mall with approximately 475,000 square feet of retail space housing over 170 retailers, and an approximately 5,800-space parking facility used by Planet Hollywood and the Miracle Mile Shops, both of which are owned by a third-party; and
- the 52-story "Elara" timeshare tower, formerly owned by Westgate and, as of 2011, owned by LV Tower 52, LLC ("LV Tower"), a third-party, and operated as part of the Hilton Grand Vacations™ timeshare network. LV Tower leases certain kiosk space from Planet Hollywood for marketing purposes inside the casino and plaza, and has negotiated certain other marketing rights in the casino and hotel. Pursuant to agreements relating to consideration that was part of the historic development of the overall complex, Planet Hollywood receives certain payments from LV Tower based on percentages of timeshare sales and revenue from timeshares rented as hotel space, until all the timeshares are sold.

Planet Hollywood targets a growing younger demographic segment that values the offerings of the non-gaming entertainment that complements the casino's gaming activities. CGP LLC's flexible capital structure will allow it to invest in Planet Hollywood and elevate its guests' experiences by offering premium, Hollywood-themed entertainment and non-gaming options that remain fresh and relevant.

In July 2013, Planet Hollywood terminated its lease with a third-party to retake possession of the larger performance theater space in Planet Hollywood known as the AXIS at Planet Hollywood Resort & Casino (formerly known as "PH Live at Planet Hollywood"). In connection with that transaction, Planet Hollywood refurbished the theater and entered into a two-year performance agreement with Britney Spears pursuant to which Ms. Spears will perform a total of 96 shows at the refurbished theater starting in December 2013.

In December 2013, Caesars Entertainment announced a strategic partnership with the world's leading promoter of live entertainment, Live Nation Entertainment, for The Axis which will feature new amenities including an innovative dance floor and VIP table seating concept that allows guests a one-of-a-kind concert experience. The partnership forged with Caesars at The AXIS marks Live Nation's first significant alliance with a venue of this size in Las Vegas. This partnership provides Caesars access to Live Nation's vast artist network, while Live Nation expands its footprint in the Las Vegas market.

Horseshoe Baltimore, Maryland

CGP LLC owns an interest in the Maryland Joint Venture, a joint venture with an affiliate of Rock Gaming and other local investors. CBAC Borrower LLC ("CBAC Borrower"), a subsidiary of the Maryland Joint Venture, holds a license to operate Horseshoe Baltimore, a casino in the City of Baltimore.

Caesars Entertainment is leading the development of the Horseshoe Baltimore, and a subsidiary of CEOC will serve as the manager of Horseshoe Baltimore. In connection with the consummation of the Transactions, CGP LLC purchased a 50% interest in the management fee revenue received by a subsidiary of CEOC in connection with the management of Horseshoe Baltimore. The property is anticipated to be an integrated casino with an 110,000 square-foot casino floor holding 2,500 video lottery terminals ("VLTs"), 108 table games and 25 poker tables. In addition to the gaming space, CGP LLC anticipates the casino facility at Horseshoe Baltimore will contain a 10,000 square foot meeting facility, seven restaurants and/or bars, and a Diamond Lounge for its highest-value gaming customers. The Maryland Joint Venture is also developing an adjacent 3,500-space parking garage which will facilitate ease of access to the casino for its customers. The project is anticipated to open in the third quarter of 2014 at a cost of approximately \$400 million. The Maryland Joint Venture is funded with approximately \$107.5 million of total equity and approximately \$340 million in debt. CGP LLC's share of the equity ownership is approximately 52%. CGP LLC, together with another member of the Maryland Joint Venture, have an agreement in principle to sell approximately 17.9% of the equity interest in the Maryland Joint Venture to CVPR Gaming Holdings, LLC, an existing, third-party member of the Maryland Joint Venture (the "CVPR Sale"). The CVPR Sale is subject to regulatory approval. Following the closing of the CVPR Sale, CGP LLC's equity contribution and indirect ownership in the Maryland Joint Venture will be approximately 41.4%, through its continued 58.5% indirect ownership in CR Baltimore Holdings LLC, which after the sale will own approximately 70.7% of the Maryland Joint Venture. See Note 19 — Subsequent Events contained in the CGP LLC audited financial statements included in Exhibit 99.1 of this Annual Report.

As of December 31, 2013, Caesars Entertainment had contributed \$55.7 million of cash equity in the Maryland Joint Venture and may have to contribute up to an additional \$22.3 million of capital contributions under the terms of the Maryland Joint Venture's operating agreement. CGP LLC has assumed all of Caesars Entertainment's uncalled capital commitments. On July 2, 2013, CBAC Borrower obtained the Baltimore Credit Facility, as further defined in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of this Annual Report that provides for up to \$310 million of project financing for the development of Horseshoe Baltimore. Concurrently with the closing of the Baltimore Credit Facility, CBAC Borrower also entered into the Baltimore FF&E Facility, as further defined in Note 7 - Debt of the CGP LLC Audited

Financial Statements included in Exhibit 99.1 of this Annual Report that provides for up to \$30.0 million of equipment financing.

See Item 1A. Risk Factors — Risks Related to CGP LLC's Casino Properties and Developments Business for the status of certain legal proceedings that could adversely affect the Horseshoe Baltimore casino.

CEO Notes

CGP LLC owns \$1.1 billion of aggregate principal amount of the CEOC Notes. The CEOC Notes have fixed cash-pay interest rates ranging from 5.625% to 6.50% and maturities ranging from 2015 to 2017. The indentures governing the CEOC Notes limit CEOC's (and most of its subsidiaries') ability to (i) create liens on certain assets to secure debt, (ii) engage in sale and lease-back transactions and (iii) consolidate, merge, sell or otherwise dispose of all or substantially all of its assets.

In connection with the Transactions, the aggregate fair market value of the subscription rights issued by Caesars Entertainment in the amount of approximately \$21.1 million was restored to Caesars Entertainment through a return of all 10.75% paid-in kind senior notes and certain 5.75% senior notes previously issued by CEOC from CGP LLC to CEC.

Intellectual Property

The development of Intellectual Property ("IP") is part of CIE's overall business strategy, and we regard our IP to be an important element of our success. While the CIE business as a whole is not substantially dependent on any one patent or combination of patents or other intellectual property, we seek to establish and maintain our proprietary rights in our business operations and technology through the use of patents, copyrights, trademarks, and trade secret laws. CIE files applications for patents, copyrights, and trademarks in the United States and in foreign countries where we believe filing for such protection is appropriate. We also seek to maintain our trade secrets and confidential information by nondisclosure policies and through the use of appropriate confidentiality agreements.

CIE's IP includes the *WSOP*, *Slotomania*, *Playtika* and *Bingo Blitz* brands and associated trademarks, copyrights, logos, software code, audio-visual elements, graphics, original music, story lines, interfaces, technology and trade secrets that CIE uses to develop and offer games on multiple platforms. CIE seeks to establish and maintain its proprietary rights in its business operations and technology through the use of copyrights, trademarks, trade secrets and other IP rights. CIE files applications for and obtains copyrights and trademarks in the United States and in foreign countries where it believes filing for such protection is appropriate. CIE also seeks to maintain its trade secrets and confidential information by nondisclosure policies and through the use of appropriate confidentiality agreements.

CIE, either directly or indirectly through its subsidiaries, owns 120 trademarks registered with the U.S. Patent and Trademark Office, including the *World Series of Poker*, *WSOP*, *Slotomania*, *Playtika* and *Bingo Blitz* trademarks, for a variety of goods and services. CIE also owns one or more registered trademarks in many jurisdictions globally, including the *World Series of Poker*, *WSOP*, *World Series of Poker Europe*, *Slotomania* and *Playtika* trademarks.

CIE has additional applications pending in the U.S. and certain foreign countries and is continually adding new filings as it deems appropriate. CIE has not applied for patents or the registration of all of its copyrights or trademarks, as the case may be, and may not be successful in obtaining the patents, copyrights and trademarks for which it has applied. Despite efforts to protect their proprietary rights, parties may infringe CIE's patents and use information that they regard as proprietary and their rights may be invalidated or unenforceable. The laws of some foreign countries do not protect proprietary rights to as great an extent as do the laws of the United States. In addition, others may be able to independently develop substantially equivalent intellectual property.

PHW Las Vegas, LLC is party to a licensing agreement with Planet Hollywood Resorts International, LLC and Planet Hollywood Memorabilia, Inc. (together, the "PH Licensors"), which are affiliates of Robert Earl, the original founder of the Planet Hollywood brand. The licensing agreement grants to PHW Las Vegas, LLC rights to use certain trademarks, domain names and intellectual property and to display and exhibit certain memorabilia owned by the PH Licensors. The initial term of the agreement is 35 years and the parties may by mutual agreement extend the term for two successive terms of ten years each. The license agreement was assigned to PHWLV as described above.

CAC and CGP LLC are parties to a management services agreement with CEOC in which, among other terms, CAC, CGP LLC and their subsidiaries are granted rights to use the Caesars trademark for corporate identification purposes. The term of the agreement is until such time as CAC and CGP LLC elect to terminate the agreement, upon mutual written consent of the parties, upon consummation of either the call right or the liquidation right, or at the election of the non-defaulting party upon the occurrence of an uncured default.

Competition

Interactive Entertainment

The social and mobile games industry is intensely competitive and rapidly evolving. Moreover, the casino-themed game segment has become one of the most competitive social and mobile games sectors due to the attractive underlying qualities of the segment, including, among others, high Average Revenue per User (as defined below), familiar game mechanics and longer than average game life spans. CGP LLC faces significant competition in all aspects of this business. Specifically, CIE competes for the leisure time, attention and discretionary spending of its players with other social and mobile games developers on the basis of a number of factors, including, among others, the quality of player experience, brand awareness, reputation and access to distribution channels.

We believe CIE competes favorably in all of these areas. However, other developers of social and mobile casino-themed games could develop more compelling content that competes with CIE's games and adversely affect CIE's ability to attract and retain players and their entertainment time. These competitors, including companies about whom CIE may not be currently aware, may take advantage of social networks, access to a large user base and their network effects to grow rapidly.

CIE's competitors include:

- *Game Developers for Facebook and Other Social Networks:* CIE faces competition from a number of competitors who develop social games for use on Facebook and other social networks. These competitors, some of which have significant and/or greater financial, technical and other resources, greater name recognition and have longer operating histories, may create similar games to reach CIE's players. Some of these competitors include Zynga (the maker of Zynga Poker), King (the maker of CandyCrush Saga), IGT (the maker of Doubledown Casino), WMS (the maker of Jackpot Party Casino) and Bash Gaming (the maker of Bingo Bash, who recently signed a definitive agreement to be acquired by GSN Games). Because CIE's games are free to play, CIE competes primarily on the basis of player experience rather than price. CIE could face additional competition if large companies with a significant online presence, such as Google, Microsoft or Facebook, choose to enter or expand in the casino-themed social and mobile games segment.
- *Game Developers for Mobile:* The mobile games sector is characterized by frequent product introductions, rapidly emerging mobile platforms, new technologies and new mobile application storefronts. Some of CIE's competitors in the mobile games market include Electronic Arts, Gameloft Inc., Glu Mobile and Zynga.
- *Regulated Online Real Money Gaming:* In Nevada, CIE competes with Ultimate Gaming (provider of *UltimatePoker.com*) and South Point Hotel & Casino (provider of *RealGaming.com*). In New Jersey, CIE competes with a number of competitors including, among others, Borgata, Trump, Golden Nugget, Tropicana, 888, bwin.party, Gamesys and Betfair. CIE may also face competition from some or all of these competitors and other competitors in other U.S. jurisdictions that legalize online poker or online real money gaming in the future. We expect additional competitors in online real money gaming in Nevada and New Jersey in the future.
- *Poker Tournaments:* The WSOP competes with several poker tournaments in the United States, Europe and Asia-Pacific. Some of these competitors include the World Poker Tour (owned by bwin.party) and PokerStars' European Poker Tour.
- *Game Developers for Consoles and Other Platforms:* CIE's players also play other games on PCs and consoles, some of which include social features that compete with CIE's social games and have community functions where players can compete against and play with other gamers. Some of the competitors who develop these games include Activision, Inc., Electronic Arts and Microsoft.
- *Other Forms of Media and Entertainment:* CIE competes more broadly for the leisure time and attention of its players with providers of other forms of Internet and mobile entertainment, including social networking, online casual entertainment and music. To the extent existing or potential players choose to read, watch or listen to online content or streaming video or radio, these content services pose a competitive threat.

Casino Properties and Developments - Planet Hollywood

The Las Vegas hotel/casino industry is highly competitive. Hotels on the Las Vegas Strip compete with other hotels on and off the Las Vegas Strip, including hotels in downtown Las Vegas. In addition, several large projects in Las Vegas are currently expected to open in the near future such as SLS Las Vegas, a 1,600 room hotel and casino, which is expected to open in Fall 2014, and the Genting Group has announced plans to develop a 3,500 room hotel and 175,000 square foot casino called Resorts World Las Vegas, which is expected to open in 2016; both of which are on the northern end of the Strip near Circus Circus. When opened, these hotel/casinos may target the same customers as Planet Hollywood does. Planet Hollywood also competes with casinos located on Native American tribal lands. The proliferation of gaming in California and other areas located

in the same region as Planet Hollywood could have an adverse effect on Planet Hollywood's financial condition and results of operations.

Planet Hollywood also competes, to some extent, with other hotel/casino facilities in Nevada and Atlantic City, hotel/casino and other resort facilities elsewhere in the country and other forms of gaming on both a local and national level, including state lotteries, on-and off-track wagering and card parlors. In addition, certain states recently have legalized, and others may legalize, casino gaming in specific areas. The continued proliferation of gaming venues could have a significant and adverse effect on Planet Hollywood's businesses. In particular, the legalization of casino gaming in or near major metropolitan areas from which Planet Hollywood traditionally attracts customers could have a material adverse effect on its business.

The expansion of legalized gaming into new jurisdictions throughout the United States will also increase competition.

Seasonality

We believe that CIE's business is subject to some degree of seasonality based on the playing habits of CIE's players. While the growth in CIE's business to date has largely muted the impact seasonal fluctuations have on its business, as the growth of CIE's business stabilizes, it may be that seasonal fluctuations become more evident across CIE's business.

We believe that the Planet Hollywood business is subject to seasonality based on the weather in Las Vegas and the travel habits of visitors. For instance, the volume of business generated by Planet Hollywood is generally lower during the summer.

Seasonality may cause CGP LLC's working capital cash flow requirements to vary from quarter to quarter depending on the variability in the volume and timing of sales. These factors, among other things, make forecasting more difficult and may adversely affect CGP LLC's ability to manage working capital and to predict financial results accurately, which could adversely affect the market price of our Class A common stock.

Employees

As of December 31, 2013, CAC and CGP LLC did not have any employees. As December 31, 2013, CIE had 634 full-time employees, of whom 518 were involved in research and product development, located throughout the United States, Israel, Canada, the Ukraine and Belarus. Planet Hollywood does not have any employees as its operations are managed by PHW Manager, LLC, a subsidiary of CEOC.

Governmental Regulation

The gaming industry is highly regulated, and we must maintain our licenses and pay gaming taxes to continue our operations. Our gaming facilities and online real money platforms are subject to extensive regulation under the laws, rules, and regulations of the jurisdiction in which the gaming facility or online real money platform is located. These laws, rules, and regulations generally concern the responsibility, financial stability, and character of the owners, managers, and persons with financial interests in the gaming operations. Violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions. A more detailed description of the regulations to which we are subject is contained in Exhibit 99.2 to this Form 10-K.

Our businesses are subject to various foreign, federal, state, and local laws and regulations, in addition to gaming regulations. These laws and regulations include, but are not limited to, restrictions and conditions concerning alcoholic beverages, smoking, environmental matters, employees, currency transactions, taxation, zoning and building codes, construction, land use, and marketing and advertising. We also deal with significant amounts of cash in our operations and are subject to various reporting and anti-money laundering regulations. Such laws and regulations could change or could be interpreted differently in the future, or new laws and regulations could be enacted. Material changes, new laws or regulations, or material differences in interpretations by courts or governmental authorities could adversely affect our operating results. See Item 1A. Risk Factors for additional discussion.

Available Information

Our Internet address is www.caesarsacquisitioncompany.com. We make available free of charge, on or through our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (the "SEC"). We also make available through our website all filings of our executive officers and directors on Forms 3, 4, and 5 under Section 16 of the Exchange Act. These filings are also available on the SEC's website at www.sec.gov. Our Code of Business Conduct and Ethics is available on our website under the "Investor Relations" link. We will provide a copy of these documents without charge to any person upon receipt of a written request addressed to Caesars Acquisition Company, Attn: Corporate Secretary, One Caesars Palace Drive, Las Vegas, Nevada 89109. Reference in this document to our website address does not constitute incorporation by reference of the information contained on the website.

Item 1A. Risk Factors

Risks Related to CGP LLC's Continued Dependence on Caesars Entertainment

CAC and CGP LLC are dependent on CEOC and its subsidiaries to provide corporate services, back-office support and business advisory services through the CGP Management Services Agreement. CAC and CGP LLC cannot operate without the services provided by subsidiaries of Caesars Entertainment and will be adversely affected if the CGP LLC Management Services Agreement is terminated.

Pursuant to the CGP LLC Management Services Agreement, CEOC and its subsidiaries provide corporate services, back-office support and business advisory services to CAC and CGP LLC. Neither CAC nor CGP LLC have any employees and CAC and CGP LLC have a very short history of operating casinos and online entertainment. Therefore, the business and operations of CAC and CGP LLC are dependent on the services provided by Caesars Entertainment and its subsidiaries, and following the implementation of the new services joint venture, the Services joint venture, and CAC and CGP LLC cannot operate without these services. If the quality of the services provided by Caesars Entertainment and its subsidiaries, and subsequently the new services joint venture, deteriorates, or if the terms under which Caesars Entertainment and its subsidiaries, and subsequently the new services joint venture, provide such services change in a manner that is adverse to CGP LLC, it could have a material adverse effect on CAC and CGP LLC's business, financial condition and operating results.

In addition, if the CGP LLC Management Services Agreement were to be terminated, or if Caesars Entertainment or its subsidiaries, and subsequently the new services joint venture, were to suffer significant liquidity or operational difficulties, becoming incapable of providing support and management services (or unable to provide such services at agreed upon levels) to CAC or CGP LLC or cease operations altogether, CAC and/or CGP LLC would no longer have access to the operational support and management expertise provided by Caesars Entertainment and its subsidiaries and it could have a material adverse effect on CAC and CGP LLC's business, financial condition and operating results. Any failure by CAC or CGP LLC to obtain the operational and management support of Caesars Entertainment and its subsidiaries, and subsequently the new services joint venture, and particularly any failure by CGP LLC to obtain Caesars Entertainment's expertise in operating casinos or maintain access to the Total Rewards loyalty program, would adversely affect CAC and/or CGP LLC's business, financial condition and operating results.

The implementation of a new services joint venture is subject to regulatory and other approvals, which may be delayed or which may not be received. In addition, we will not control such services joint venture, and the interests of our co-investors may not align with our interests.

In connection with the Acquisition Agreement described under Item 1. Business, we recently announced the formation of a new services joint venture ("Services, LLC"), the purpose of which includes the common management of intellectual property owned by CEOC, CEOC and Caesars Entertainment Resort Properties, LLC ("CERP"), each a wholly-owned subsidiary of CEC, and certain subsidiaries of CGP will be equal investors in Services, LLC, and, upon the implementation of Services, LLC, subsidiaries of CGP will rely on Services, LLC to provide them with intellectual property licenses and property management services, among other services. We and CGP will not control Services, LLC, and in the event that our interests do not align with those of CEOC or CERP, the interests of CEOC or CERP may be met before ours. The implementation of Services, LLC's contemplated activities is subject to regulatory and other approvals, which may be delayed or which we may not receive.

CGP LLC is dependent on the expertise of Caesars Entertainment's senior management, who may not be directly invested in CGP LLC's success, which may have an adverse effect on CGP LLC and/or CAC's business, financial condition and operating results.

CGP LLC relies a great deal on the expertise and guidance of Caesars Entertainment's senior management who do not receive direct compensation from CGP LLC. As a result, Caesars Entertainment's senior management may devote substantially less time to the business and operations of CGP LLC than were they to be employed by CGP LLC. Senior management that is not invested in the success of CGP LLC's business may have an adverse effect on CGP LLC and/or CAC's business, financial condition and operating results.

Loss of the services of any key personnel from Caesars Entertainment could have a material adverse effect on the business of CGP LLC.

The leadership of Caesars Entertainment's chief executive officer, Mr. Gary Loveman, and other executive officers, has been a critical element of Caesars Entertainment's success. The advisory and management services provided to CGP LLC depend on these key executive officers. The death or disability of Mr. Loveman or other extended or permanent loss of his services, or any negative market or industry perception with respect to him or arising from his loss, could have a material adverse effect on CGP LLC's business. Caesars Entertainment's other executive officers and other members of senior management have substantial experience and expertise in the casino and online entertainment business. The unexpected loss of

services of one or more of these individuals could also adversely affect CGP LLC. CGP LLC is not protected by key man insurance or similar life insurance covering members of Caesars Entertainment's senior management, nor does CGP LLC have employment agreements with any of Caesars Entertainment's executive officers.

A default by Caesars Entertainment on certain of its debt obligations could adversely affect CGP LLC's business, financial condition and operating results.

Caesars Entertainment is a highly leveraged company and has pledged a significant portion of its assets and the assets of its subsidiaries as collateral under certain of its debt obligations, including the trademarks for which CIE has licensed the right to use, including "Caesars," "Total Rewards" and "Harrah's." The stock of CEOC is also pledged to secure these debt obligations. If Caesars Entertainment or its subsidiaries were to default on these obligations, its lenders could exercise significant influence over CGP LLC's business. CGP LLC is dependent on a number of services from Caesars Entertainment, CEOC, and other subsidiaries of Caesars Entertainment, pursuant to the CGP Management Services Agreement and CIE's Shared Services Agreement. If Caesars Entertainment and/or its subsidiaries file for bankruptcy protection under the U.S. bankruptcy code, their filing may materially and adversely affect CGP LLC's assets and operations. For example, in the event of a default by Caesars Entertainment, its lenders or their successors may elect to reject the CGP Management Services Agreement as an executory contract in a bankruptcy proceeding. Furthermore, in the event of such a default, Caesars Entertainment's lenders also may seek to reject CIE's cross marketing and trademark license agreement with Caesars Entertainment in connection with a bankruptcy proceeding and, as a result, CIE would no longer have licenses to use certain trademarks owned by Caesars Entertainment or its subsidiaries. The result of this influence and any related disruption in CGP LLC's business could have a material adverse effect on CGP LLC's business, financial condition and operating results.

The value of the CEOC Notes held by CGP LLC would be impaired in the event of a default by Caesars Entertainment on certain of its debt obligations and such impairment could adversely affect the market price of our Class A common stock.

Caesars Entertainment is a highly leveraged company and has significant obligations for interest payments and restrictions due to its indebtedness. If Caesars Entertainment or CEOC is unable to pay the interest when due under their outstanding indebtedness, or otherwise defaults on their debt obligations, the value of the CEOC Notes held by CGP LLC would be impaired. Because the CEOC Notes constitute a significant portion of the value of CGP LLC, an impairment in the value of the CEOC Notes could adversely affect the market price of our Class A common stock.

CGP LLC has an obligation to give a right of first refusal for any development opportunities to Caesars Entertainment, but Caesars Entertainment has no obligation to give any development opportunities to CGP LLC. Caesars Entertainment may keep all potential development opportunities for itself. CGP LLC would need to rely on a separate party to pursue any opportunities without the approval and assistance of Caesars Entertainment.

CGP LLC is required to first provide any potential development opportunities to Caesars Entertainment to be considered by a committee of the Caesars Entertainment board of directors comprised of disinterested directors. CGP LLC can only proceed with such investment or opportunity to the extent such Caesars Entertainment committee declines the opportunity for itself or CEOC. See Item 13. Certain Relationships and Related Transactions, and Director Independence . If the committee provides an opportunity to CGP LLC, we expect that CGP LLC will retain a 50% interest in the management fee to be received by Caesars Entertainment, unless otherwise agreed. However, because each opportunity will be negotiated as a separate transaction, there can be no assurances that CGP LLC and Caesars Entertainment will share equally (or that CGP LLC will share at all) in the management fee. If the committee does not provide the opportunity to CGP LLC, the committee can also decide to keep the opportunity for Caesars Entertainment. No assurances can be provided that the committee will ever provide an opportunity to CGP LLC.

Although certain employees of each of the Sponsors are on the boards of directors of Caesars Entertainment and CAC, the certificates of incorporation of both companies provide that neither the Sponsors nor directors have any obligation to present any corporate opportunity to Caesars Entertainment or CAC. Accordingly, the Sponsors may pursue gaming, entertainment or other activities outside of Caesars Entertainment or CAC and have no obligation to present such opportunity to Caesars Entertainment or CAC; however, if any choose to present such opportunity to Caesars Entertainment or CAC, then such opportunity must follow the rights of first offer.

If the committee declines an opportunity altogether and CGP LLC pursues the opportunity without the support of Caesars Entertainment, CGP LLC will be required to identify and obtain the necessary services from a third-party. No assurances can be provided that CGP LLC will be able to find a third-party to pursue an opportunity without Caesars Entertainment and any services provided may be more expensive than, or of less quality than, those that are provided by Caesars Entertainment, and as a result, could have a material adverse impact on the success of the opportunity.

Caesars Entertainment's interests may conflict with CGP LLC's interests.

The interests of Caesars Entertainment could conflict with CGP LLC's interests. Caesars Entertainment is in a casino and entertainment business similar to CGP LLC and may, from time to time in the future, pursue for itself acquisitions that

would be complementary to CGP LLC's business, in which case, and as a result, those acquisition opportunities would not be available to us. Without access to acquisition opportunities, CGP LLC will be limited in growing its business.

The success of CGP LLC's business depends in part on its continued participation in Caesars' Total Rewards loyalty program. If CIE, and Planet Hollywood are, and Horseshoe Baltimore and the Properties to be acquired will be, unable to access the Total Rewards loyalty program database, it could have a material adverse impact on CGP LLC's business.

The success of CGP LLC's business depends in part on its ability to direct targeted marketing efforts to important casino and hospitality customers. The ability of CGP LLC's business to undertake those marketing efforts depends to a significant extent on its continued participation in the Total Rewards loyalty program owned and maintained by Caesars Entertainment and following its implementation, licensed to Services LLC. In connection with this program, CIE and Planet Hollywood can, and Horseshoe Baltimore and the Properties to be acquired will be able to, develop information which allows them to track casino play and award complimentaries and other promotional opportunities to their customers. Complimentaries and other similar rewards are customarily offered by casino and gaming facilities to their customers and are important incentives to those customers. If CIE, Planet Hollywood, Horseshoe Baltimore and the Properties are unable to access the Total Rewards loyalty program database, it could have a material adverse impact on CGP LLC's business.

CIE licenses its right to use and sublicense various trademarks and service marks from Caesars Entertainment and certain of its affiliates. Accordingly, if a third-party successfully challenges Caesars Entertainment or its affiliates' ownership of, or right to use, the Caesars-related marks or if CIE is unable to stop unauthorized use of such marks, or if Caesars Entertainment or its affiliates use such marks in a way that negatively impacts the value of such marks, CIE's, and therefore CGP LLC's, business or results of operations could be harmed.

CIE has licensed the right to use certain trademarks and service marks owned or used by various affiliates of Caesars Entertainment, including Caesars World, Inc., Caesars License Company, LLC and CEOC. These licensed trademarks and service marks include, among others, "Caesars," "Harrah's" and "Total Rewards." See Item 13. Certain Relationships and Related Transactions, and Director Independence . CIE's rights to use these trademarks and service marks are among its most valuable assets.

If the existing licensing arrangements were terminated and CIE fails to enter into new arrangements in respect of these marks, CIE could lose its rights to use these marks and the corresponding domain names, which could have a material adverse effect on its business, financial condition and operating results. If a third-party successfully challenges Caesars Entertainment or its affiliates' ownership of, or right to use, these marks (including, for example, due to Caesars Entertainment or its affiliates' failure to file for protection of such marks), such a challenge could also have a material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and operating results. Furthermore, if any of the entities from whom CIE licenses the right to use such marks enters into a bankruptcy proceeding, its rights to use some or all of such marks could be terminated, which could also have a material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and operating results.

In addition, these trademarks and service marks are used by Caesars Entertainment and its affiliates around the United States and internationally. Any negative events associated with the use of these marks by Caesars Entertainment or its affiliates may be out of CGP LLC's control, and may negatively impact the "Caesars", "Harrah's" or "Total Rewards" brands, which could harm CIE's, and therefore CGP LLC's, business and results of operations.

CIE may be reliant on Caesars Entertainment to obtain online gaming licenses in many commercial jurisdictions and if the affiliation is terminated, or costs to maintain such affiliation exceed revenue generated from such affiliation, it would adversely affect CIE's, and therefore CGP LLC's, business and result of operations.

Nevada, Delaware and New Jersey have enacted laws that require online casinos to also have a license to operate a brick-and-mortar casino, either directly or indirectly through an affiliate. If, like Nevada, Delaware and New Jersey, other U.S. jurisdictions enact legislation legalizing real money casino gaming subject to this brick-and-mortar requirement, CIE may be unable to offer online real money gaming in such jurisdictions if CIE does not have or is unable to establish an affiliation with a brick-and-mortar casino in such jurisdiction. If CIE is able to offer online real money gaming in such jurisdictions because of CIE's affiliation with Caesars Entertainment, CIE will be reliant on continuing its relationship with Caesars Entertainment, and there can be no assurances that Caesars Entertainment will continue to maintain such affiliation. If CIE's affiliation with Caesars Entertainment is terminated or the costs to maintain such affiliation exceed revenue generated from online real money gaming, it would adversely affect CIE's, and therefore CGP LLC's, business and result of operations.

A bankruptcy court may conclude that each of the Transactions and the Asset Sale Transaction constitutes a financing rather than a true sale and as a result we would no longer have ownership and control over assets sold or contributed to CGP LLC to the same extent as we do now.

For the years ended December 31, 2013 and 2012, Caesars Entertainment and its consolidated subsidiaries reported a net loss of \$2,939.8 million and \$1,502.8 million, respectively, and CEOC and its consolidated subsidiaries separately reported a

net loss of \$2,871.2 million and \$1,701.4 million, respectively. Furthermore, Caesars Entertainment and its consolidated subsidiaries, as well as CEOC and its consolidated subsidiaries, have reported significant net losses during the past three fiscal years. In a bankruptcy of Caesars Entertainment or any of its subsidiaries that sold or contributed assets to CGP LLC, including CEOC, the court may conclude that each of the Transactions and the Asset Sale Transaction constitutes a disguised financing rather than a true sale. In such case, the court would deem CGP LLC's assets as belonging to Caesars Entertainment, and consider us to be a lender to Caesars Entertainment or its subsidiaries to the extent of the purchase price CGP LLC paid for those assets. While we should have a claim against Caesars Entertainment and its subsidiaries for the amounts paid to them for the assets, we would no longer have ownership and control over the assets to the same extent as we do now. Moreover, if our claim against Caesars Entertainment and its subsidiaries is considered a financing, no guaranty exists that our claim will be deemed a secured claim entitled to a priority right of repayment from the assets, rather than a general unsecured claim against Caesars Entertainment's bankruptcy estate that shares pro rata with other creditors in any recovery from the residual value of the bankruptcy estate. Finally, a risk exists that any such claim might be primed in favor of a debtor-in-possession financing, or that the court might equitably subordinate our claim to those of other creditors, recharacterize the claim as equity or otherwise not allow the claim (including on equitable grounds).

A bankruptcy court may substantively consolidate the bankruptcy estates of Caesars Entertainment and its debtor subsidiaries with CGP LLC, which would, among other things, allow the creditors of the bankrupt entities to satisfy their claims from the combined assets of the consolidated entities, including CGP LLC.

Even though CGP LLC has certain bankruptcy remote features that restrict its ability to file for bankruptcy relief, there can be no assurance that a bankruptcy court will not direct CGP LLC's or any of its subsidiaries' substantive consolidation with Caesars Entertainment or a subsidiary of Caesars Entertainment in a bankruptcy case of Caesars Entertainment or such subsidiary even if CGP LLC or its subsidiaries do not themselves file a bankruptcy petition. CGP LLC's or its subsidiaries' substantive consolidation with Caesars Entertainment or its subsidiaries in their bankruptcy cases would, among other things, allow the creditors of the bankrupt entities to satisfy their claims from the combined assets of the consolidated entities, including CGP LLC and its subsidiaries. This may dilute the value of distributions available for recovery to CGP LLC's creditors, and may prevent recovery by our stockholders of any value at all if the combined creditor claims exceed the combined value of the entities. In addition, substantive consolidation with Caesars Entertainment or its subsidiaries' bankruptcies may subject our assets and operations to the automatic stay, and may impair CGP LLC's ability to operate independently, as well as otherwise restrict our operations and capacity to function as a standalone enterprise.

A Caesars Entertainment or CEOC bankruptcy filing might trigger an independent investigation of the Transactions and the Asset Sale Transaction, and expose our and CGP LLC's contractual relationships with Caesars Entertainment and its subsidiaries to heightened scrutiny.

If Caesars Entertainment or its subsidiaries, including CEOC, file for bankruptcy relief, it may result in an independent investigation of the Transactions and the Asset Sale Transaction, including the formation of Services, LLC. For example, a trustee or examiner may be appointed in the Caesars Entertainment bankruptcy case with the power to investigate the Transactions and the Asset Sale Transaction and determine, with the benefit of hindsight, whether such transactions overall, and their constituent parts (including the formation of Services LLC), were fair and equitable and otherwise beneficial to Caesars Entertainment or any bankrupt subsidiary. Additionally, any committee appointed in such bankruptcy case could conduct a similar investigation. Any such investigations may impose significant costs and expense on us and CGP LLC, and may divert management from its ability to conduct our business. In addition, we would expect that stakeholders of Caesars Entertainment and its subsidiaries, including any committee appointed in such bankruptcy cases, would re-evaluate all of our and CGP LLC's contractual and business relationships with Caesars Entertainment and its subsidiaries, and with Services, LLC. This may result in materially altered terms and conditions that may be economically unfavorable to investors in CAC, and may divert significant management resources.

We may be subject to fraudulent transfer litigation that may require us to return the assets acquired in the Transactions and the Asset Sale Transaction, or their value, to Caesars Entertainment and its subsidiaries.

Creditors of Caesars Entertainment and its subsidiaries may sue us and/or CGP LLC under state or federal bankruptcy law in an effort to recover, for their benefit, the assets we acquired in the Transactions and the Asset Sale Transaction as fraudulent transfers. As a general matter, fraudulent transfer law allows a creditor to recover assets, or their value, from an initial or subsequent transferee if the debtor conveyed the assets with an actual intent to hinder, delay or defraud its creditors, or if the transfer was a constructive fraud. A constructive fraud exists even in the absence of an actual intent to defraud creditors. The principal elements of a constructive fraud are a transfer, made while a debtor was insolvent or that rendered a debtor insolvent, for less than reasonably equivalent value or fair consideration or that left the debtor with less than sufficient capital with which to conduct its business. A court may "collapse" the component steps of the restructuring into a single set of integrated transactions to determine whether the restructuring overall effected a fraudulent transfer. If we and/or CGP LLC are subject to a fraudulent transfer lawsuit, we may have to return the assets or their value to Caesars Entertainment and its subsidiaries or be forced to pay additional amounts therefor.

Services, LLC may be subject to fraudulent transfer or other litigation that may result in its unwinding, or its licensing agreements with CEOC may otherwise be rescinded or terminated.

Creditors of Caesars Entertainment, CEOC and their subsidiaries may commence an action against Services, LLC under state or federal bankruptcy law in an effort to rescind, avoid or otherwise terminate, for their benefit, the licensing agreements CEOC entered into with Services, LLC. Alternatively, if Caesars Entertainment, CEOC or their subsidiaries file bankruptcy, they may reject their licensing agreements with Services, LLC. If Services, LLC can no longer enforce such licensing agreements, it may be unable to perform under its licensing agreements with CGP LLC and its subsidiaries. As a result, among other things, CGP LLC and its subsidiaries may no longer have access to the Total Rewards loyalty program and may no longer be able to use certain intellectual property, such as the Caesars trademark, which could have a material adverse effect on CAC and CGP LLC's business, financial condition and operating results.

Our operations depend on material contracts with third parties, including Caesars Entertainment, the continued enforcement of which may be adversely impacted by a bankruptcy of Caesars Entertainment or, upon its formation, Services, LLC.

A debtor operating under the protection of the Bankruptcy Code may exercise certain rights that may adversely affect our contractual relations and ability to participate in the Caesars Entertainment system. For example, the protection of the statutory automatic stay which arises by operation of section 362 of the Bankruptcy Code upon the commencement of a bankruptcy case would prohibit us from terminating a contract with Caesars Entertainment or any of its debtor subsidiaries, and upon its formation, a bankruptcy of Services, LLC. The Bankruptcy Code also invalidates clauses that permit the termination of contracts automatically upon the filing by one of the parties of a bankruptcy petition or which are conditioned on a party's insolvency. Meanwhile in this circumstance, we would ordinarily be required to continue performing our obligations under such agreement. As a practical matter, legal proceedings to obtain relief from the automatic stay and to enforce rights to payments or terminate agreements can be time consuming, costly and uncertain as to outcome.

In addition, under section 365 of the Bankruptcy Code, a debtor may decide whether to assume or reject an executory contract, including the CGP Management Services Agreement, the management contracts for Planet Hollywood, Horseshoe Baltimore and the Properties to be acquired, the shared service agreement with CIE or the CGP Operating Agreement, or upon its formation, any licensing agreement with Services, LLC. Assumption of a contract would permit the debtor to continue operating under the assumed contract; provided that the debtor (i) immediately cures all existing defaults thereunder or provides adequate assurance that such defaults will be promptly cured, (ii) compensates the non-debtor party for any actual monetary loss incurred as a result of the debtor's default or provides adequate assurance that such compensation will be forthcoming and (iii) provides the non-debtor party with adequate assurance of future performance under the contract. As a general matter, a bankruptcy court approves a debtor's assumption of a contract as long as assumption appears to be in the best interest of the debtor's estate, the debtor is able to perform and it is a good business decision to assume the contract. Subject to bankruptcy court approval and satisfaction of the "business judgment" rule, a debtor in chapter 11 may reject an executory contract, and rejection of an executory contract in a chapter 7 case may occur automatically by operation of law. If a debtor rejects an executory contract, the non-debtor party to the contract generally has an unsecured claim against the debtor's bankruptcy estate for breach of contract damages arising from the rejection. On request of any party to such contract, a bankruptcy court may order the debtor to determine within a specific period of time whether to assume or reject an executory contract.

Further, Caesars Entertainment or any of its subsidiaries, as debtors, or upon its formation, Services, LLC, as a debtor, may seek bankruptcy court approval to assume material contracts, including among others, the CGP Management Services Agreement or other valuable license agreements under section 365 of the Bankruptcy Code and may also seek to assign such agreement to a third-party. A debtor may also seek to reject such contracts. If Caesars Entertainment or an applicable debtor subsidiary, or upon its formation, Services, LLC rejects the CGP Management Services Agreement or other license agreements, we may no longer have access to the operational support and management expertise provided by Caesars Entertainment and its subsidiaries, or upon its formation, Services, LLC, with the result that we may lack sufficient support to manage our operations, and may no longer be able to use certain licensed intellectual property, such as certain trademarks.

In addition, Caesars Entertainment, as a debtor, may attempt to reject the CGP Operating Agreement as an executory contract. This might affect our continued existence, and other corporate governance rights. It may also relieve Caesars Entertainment from performing its obligations under CGP LLC's limited liability company agreement, including honoring its obligations under the liquidation right and call right described under Item 13. Certain Relationships and Related Transactions, and Director Independence .

Claims of our stockholders and CGP LLC against Caesars Entertainment or its subsidiaries in a Caesars Entertainment bankruptcy might be equitably subordinated or disallowed.

Bankruptcy law allows the court to equitably subordinate claims to those of other creditors or equity holders based on inequitable conduct. A bankruptcy court may also recharacterize a claim for debt as equity, or not allow a claim for other reasons including on equitable grounds. Claims of insiders, including stockholders, are subject to heightened scrutiny and a court may find inequitable conduct in the form of overreaching or self-dealing transactions. If a claim is subordinated to those of other

creditors or equity holders, or recharacterized as equity, the claim will likely receive no distribution from the bankruptcy estate unless the estate has enough assets to satisfy the non-subordinated creditors in full; a claim that is disallowed would not share in recoveries from the estate to the extent of such disallowance. The equitably subordinated or disallowed claim need not necessarily relate to the inequitable conduct. Therefore, a damages claim arising from the rejection of an executory contract may be subordinated or disallowed based on conduct wholly unrelated to the contractual relationship itself. Under these principles, should a court determine that they are triggered in a bankruptcy of Caesars Entertainment or its subsidiaries, claims of our stockholders and CGP LLC, including claims based on notes issued by Caesars Entertainment or CEOC or guarantees by Caesars Entertainment, may not share ratably with claims from other general unsecured creditors or may be disallowed.

The SEC's investigation of a retired Deloitte partner who was formerly the advisory partner on Deloitte's audit engagement for Caesars Entertainment could result in a determination that Deloitte was not independent of Caesars Entertainment, which could also affect Deloitte's independence as it relates to CAC and CGP LLC, which may adversely affect CAC's ability to comply with certain obligations imposed by federal securities law and certain debt agreements.

Deloitte & Touche LLP ("Deloitte") is the independent registered public accounting firm for both Caesars Entertainment and CAC and their audits report on the financial statements of CAC, CGP LLC and Predecessor Growth Partners, included within the annual report on Form 10-K and its exhibits. In April 2013, Deloitte advised Caesars Entertainment that a retired Deloitte partner who was formerly the advisory partner on Deloitte's audit engagement for Caesars Entertainment during most of 2009 (a period not covered in this filing) is the subject of a formal investigation by the SEC. During 2009, this individual engaged in gaming activities at a Caesars Entertainment casino. Deloitte conducted a review of these gaming activities and this individual's role as advisory partner and reported to the Audit Committee of Caesars Entertainment its conclusion that the individual's activities did not at any time impair Deloitte's independence, because, among other considerations, these activities were not inconsistent with the SEC's independence rules and furthermore he had no substantive role in any audit or review concerning Caesars Entertainment. After Caesars Entertainment conducted its own independent review with the assistance of outside counsel, the Caesars Entertainment Audit Committee, in early May 2013, accepted Deloitte's report and concurred with Deloitte's conclusion that Deloitte's independence was and is not impaired.

If regulatory authorities were to determine that Deloitte was not independent of Caesars Entertainment and, as a result, CAC and CGP LLC, such determination may adversely affect Caesars Entertainment's and CAC's ability to comply with certain obligations imposed by federal securities laws and certain debt agreements, which would have a material adverse effect on CAC's business and financial condition.

Risks Related to Caesars Growth Partners, LLC's Business

CGP LLC may not realize all of the anticipated benefits of current or potential future acquisitions.

On March 1, 2014, we entered into a definitive agreement whereby CGP LLC (or one or more of its designated direct or indirect subsidiaries) agreed to acquire from Caesars Entertainment certain of its properties and related assets as more fully described further in Part I, Item 1 — Asset Sale Transaction. The consummation of the Asset Sale Transaction is subject to certain closing conditions, including the receipt of gaming approvals, accuracy of representations and warranties, compliance with covenants and receipt of third-party consents. In addition, the consummation of the Asset Sale Transaction by CAC is subject to CAC's receipt of financing on satisfactory terms, and no reverse break-up fee applies. CGP LLC or CAC may be unable to obtain the necessary approvals or otherwise satisfy the conditions required to consummate the Asset Sale Transaction on a timely basis or at all. The conditions to the consummation of the Asset Sale Transaction could prevent or delay the completion of the Asset Sale Transaction or could result in the Asset Sale Transaction being consummated on terms which differ from those described elsewhere in this report. Further, there are incremental risks and uncertainties related to the Agreement and the Asset Sale Transaction contemplated thereunder, many of which are outside of our control, including the following:

- the diversion of our management's attention from our ongoing business concerns;
- the outcome of any legal proceedings that may be instituted against us and/or others relating to the Transactions; and
- the amounts of the costs, fees, expenses and charges related to the Asset Sale Transaction, whether or not consummated.

CGP LLC's ability to realize the anticipated benefits of acquisitions, including, but not limited to the Asset Sale Transaction, will depend, in part, on its ability to integrate the businesses of such acquired companies with its business. The combination of two independent companies is a complex, costly and time consuming process. This process may disrupt the business of either or both of the companies, and may not result in the full benefits expected. The difficulties of combining the operations of two companies include, among others:

- coordinating marketing functions;
- undisclosed liabilities;

- unanticipated issues in integrating information, communications and other systems;
- unanticipated incompatibility of purchasing, marketing and administration methods;
- retaining key employees;
- consolidating corporate and administrative infrastructures;
- the diversion of management's attention from ongoing business concerns;
- coordinating geographically separate organizations; and
- obtaining all necessary gaming regulatory approvals.

For instance, CIE has been highly reliant on its acquisition of Playtika Ltd. ("Playtika") and other companies, including Buffalo Studios, to generate revenues. CGP LLC may not realize the expected benefits of future CIE acquisitions, if any, and may not continue to realize the benefits of the Buffalo Studios acquisition, due to one or more of the difficulties listed above or other difficulties associated with the combination of the operations of two or more companies. If CGP LLC is unable to realize in whole or in part the benefits anticipated for any current or future acquisitions, it could have a material adverse effect on its, and therefore CGP LLC's, business, financial condition and operating results.

CGP LLC may require additional capital to support business growth, and this capital might not be available on acceptable terms or at all.

CGP LLC intends to continue to make significant investments to support its business growth and may require additional funds to respond to business challenges, including the need to consummate the Asset Sale Transaction, expand into new markets, develop new games and features or enhance CIE's existing games, improve its operating infrastructure or acquire complementary businesses, personnel and technologies. Accordingly, CAC and CGP LLC may need to engage in equity or debt financings to secure additional funds. If CAC raises additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our Class A common stock. Any debt financing we or CGP LLC secure in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult to obtain additional capital and to pursue business opportunities, including potential acquisitions. CAC and CGP LLC are newly formed entities and may not be able to obtain additional financing on favorable terms, if at all. For instance, the lack of operating history and relationship with Caesars Entertainment may impede CGP LLC's ability to raise debt or equity financing on acceptable terms, if at all, and there can be no assurances that we could pursue a future offering of securities at an appropriate price to raise the necessary financing. If CAC and CGP LLC are unable to obtain adequate financing or financing on terms satisfactory to them when they require it, their ability to continue to support CGP LLC's business growth and to respond to business challenges could be significantly impaired, which could have a material adverse effect on CGP LLC's, business, financial condition and operating results.

CAC and CGP LLC do not have restrictions on their ability to raise debt and may highly leverage their capital structure, which could adversely affect CGP LLC's ability to pursue certain opportunities.

CAC and CGP LLC are newly formed companies without any restrictions on their ability to raise a significant amount of debt financing and/or alter their capital structures. Should CAC or CGP LLC significantly leverage themselves, CAC or CGP LLC will be subject to considerable interest payment expenses that could adversely affect our ability to obtain additional financing. Further, once CAC has a highly leveraged capital structure, CGP LLC may lose certain advantages it has against competitors that have similar capital structures that makes pursuing new, capital-intensive, opportunities more challenging.

Our historical financial information may not be a reliable indicator of our future results.

The historical financial information we have included in this Form 10-K has been prepared using assumptions and allocations that we believe are reasonable. However, such historical financial information does not necessarily reflect what our financial position, results of operations and cash flows would have been as a stand-alone entity separate from Caesars Entertainment during the periods presented. In addition, the historical information is not necessarily indicative of what our results of operations, financial position and cash flows will be in the future.

CGP LLC's business may be subject to seasonal fluctuations which could result in volatility or have an adverse effect on the market price of our Class A common stock.

CGP LLC's business may be subject to some degree of seasonality. For example, in the case of CIE, it may experience seasonality based on the playing habits of its players. As the growth of CIE's business stabilizes, the seasonal fluctuations may become more evident. In the case of Planet Hollywood, weather conditions may deter or prevent customers from reaching Planet Hollywood's facility or undertaking day

trips. Such conditions would particularly affect customers who are traveling longer distances to visit Planet Hollywood. We believe the number of customer visits to Planet Hollywood will fluctuate based on the

season, with winter months experiencing lower turnout. Seasonality may cause CIE and Planet Hollywood's working capital cash flow requirements to vary from quarter to quarter depending on the variability in the volume and timing of sales. These factors, among other things, make forecasting more difficult and may adversely affect CIE and Planet Hollywood's ability to manage working capital and to predict financial results accurately, which could adversely affect the market price of our Class A common stock.

There may be a significant degree of difficulty in operating CGP LLC's businesses separately from Caesars Entertainment, and managing that process effectively could require a significant amount of management's time.

The separation from Caesars Entertainment could cause an interruption of, or loss of momentum in, the operation of CGP LLC's businesses. Management may be required to devote considerable amounts of time to the separation, which will decrease the time they will have to manage their ordinary responsibilities. If management is not able to manage the separation effectively, or if any significant business activities are interrupted as a result of the separation, CGP LLC's businesses and operating results could suffer.

CGP LLC may be unable to achieve some or all of the benefits that it expects to achieve from the separation of its operations from Caesars Entertainment.

As a company with operations separate from Caesars Entertainment, we believe that CGP LLC will benefit from, among other things, allowing its businesses to better focus their financial and operational resources on their specific businesses and be better positioned to dedicate resources to pursue appropriate growth opportunities and execute strategic plans best suited to their business in an efficient manner. We believe the separation will allow the management of CIE and Planet Hollywood to design and implement corporate strategies and policies that are based primarily on the business characteristics and strategic decisions of their respective business, allowing them to more effectively respond to industry dynamics and allowing the creation of effective incentives for their management and employees that are more closely tied to their respective business performance. However, CGP LLC may not be able to achieve some or all of the benefits that we expect it to achieve as a company with operations separate from Caesars Entertainment in the time we expect, if at all.

We will be allocated taxable income from CGP LLC for U.S. federal income tax purposes regardless of whether we receive corresponding cash distributions from CGP LLC to pay our tax liability.

Because CGP LLC is a partnership for U.S. federal income tax purposes, we will be allocated taxable income from CGP LLC for U.S. federal income tax purposes for each fiscal year according to the terms of the CGP Operating Agreement. We will be required to pay U.S. federal income tax on such income at the current U.S. federal corporate income tax rate, regardless of whether CGP LLC makes corresponding cash distributions to us to pay our tax liability. The CGP Operating Agreement provides for quarterly cash tax distributions (other than in connection with a liquidation or certain partial liquidations) to be made to us and Caesars Entertainment, but there is no guarantee that such tax distributions (or other cash distributions from CGP LLC) will be sufficient for us to pay our tax liabilities.

There are no assurances that there will be future development opportunities for CGP LLC or that CGP LLC will obtain a development project other than the Maryland Joint Venture.

CGP LLC's ability to expand into new markets to pursue development opportunities depends on passage of legislation that legalizes gambling in new markets and Caesars Entertainment not exercising its right of first offer. Although in the past few years a number of states have passed legislation permitting the development of gaming facilities, there can be no assurances that such trend will continue, and it is possible that legislatures and public sentiment will turn against permitting the development of gaming facilities. Should the states pass no additional legislation for issuing licenses or permitting the development of gaming facilities, CGP LLC will be unable to pursue development opportunities in new markets. Moreover, even if new markets open up, there can be no assurances that Caesars Entertainment and/or CGP LLC will be successful in the bid process for any new development opportunities; therefore, there can be no assurances that CGP LLC will be able to enter those new markets. Further, there can be no assurances that Caesars Entertainment will not exercise its right of first refusal, thereby depriving CGP LLC of access to any potential development project. See Item 13. Certain Relationships and Related Transactions, and Director Independence .

The bonds of CEOC and other fixed rate securities we hold are sensitive to fluctuations in interest rates and would decrease in value if the interest rate increases.

As of December 31, 2013, CGP LLC holds approximately \$1.1 billion in aggregate principal amount of the CEOC Notes with fixed rates of interest. Fixed rate securities are sensitive to fluctuations in market interest rates and if interest rates increase, the fixed rate securities held by CGP LLC will decrease in value. Currently, market interest rates have been at record low rates. Accordingly, an increase in market interest rates from current levels could cause the value of the fixed rate securities to decrease significantly.

CGP LLC and CAC are subject to extensive governmental regulation and taxation policies, the enforcement of which could adversely impact CGP LLC's business, financial condition and results of operations.

CGP LLC and CAC are subject to extensive gaming regulations and political and regulatory uncertainty. Regulatory authorities in the jurisdictions where CGP LLC operates have broad powers with respect to the licensing of casino operations and may revoke, suspend, condition or limit the gaming or other licenses of CGP LLC's casino properties or developments, impose substantial fines and take other actions, any one of which could adversely impact CGP LLC's business, financial condition and results of operations. In addition, regulatory authorities in one or more jurisdictions may require CGP LLC or CAC to obtain new licenses in connection with the Transactions or due to future changes in regulation. For instance, the Missouri Gaming Commission is requiring that CAC obtain certain licenses after the closing of the Transactions even though CGP LLC does not operate in Missouri. The failure of CAC to obtain a license from the Missouri Gaming Commission could adversely impact Caesars Entertainment's gaming license in Missouri. If other jurisdictions require CGP LLC or CAC to obtain new licenses in connection with the Transactions or due to future changes in regulation, and CGP LLC or CAC is unable to obtain those licenses, it could adversely impact CGP LLC's business, financial condition and results of operations.

As a result of CIE holding an online gaming license, its operations and activities are subject to various gaming laws and laws in Nevada. We also expect CIE to be subject to these or similar laws as CIE seeks licenses for online real money gaming in the United States. For example, CIE has obtained a license in Nevada as an "operator of an interactive gaming system" and obtained regulatory approval to launch online poker in Nevada in 2013 in a field trial mode with final approval of the product expected on March 20, 2014. In addition, CIE obtained a casino license in New Jersey in November 2013 to operate internet gaming in New Jersey. Among these laws are various "suitability" requirements which could limit CIE's ability to conduct business with certain third parties, make certain acquisitions and otherwise freely conduct its business. The results of such restrictions could have a material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and operating results.

Furthermore, because we are subject to regulation in each jurisdiction in which we operate, and because regulatory agencies within each jurisdiction review our compliance with gaming laws in other jurisdictions, it is possible that gaming compliance issues in one jurisdiction may lead to reviews and compliance issues in other jurisdictions. For example, recent events in connection with our role with the proposed development of a casino gaming facility by Sterling Suffolk Racecourse, LLC ("Sterling Suffolk"), owner of Suffolk Downs racecourse in East Boston, Massachusetts, have resulted in reviews in several other jurisdictions arising out of a report issued to the Massachusetts Gaming Commission from the Director of the Investigations and Enforcement Bureau for the Massachusetts Gaming Commission (the "Bureau") in October 2013. That report raised certain issues for consideration when evaluating our suitability as a qualifier in Massachusetts and made a recommendation that we had not met our burden by clear and convincing evidence to establish our suitability. Although we strongly disagree with the director's recommendation, we withdrew our application as a qualifier in Massachusetts at the request of Sterling Suffolk. Neither we nor our affiliates were found unsuitable by any licensing authority, but other gaming regulatory agencies have asked for information about the issues raised in the report from the Bureau, and we are in the process of providing that information. We cannot assure you that existing or future jurisdictions would not raise similar questions with respect to our suitability arising out of the Bureau's report, or with respect to matters that may arise in the future, and we cannot assure you that such issues will not adversely affect us or our financial condition.

From time to time, individual jurisdictions have also considered legislation or referendums, such as bans on smoking in casinos and other entertainment and dining facilities, which could adversely impact the operations of CGP LLC's casino property. For example, Maryland law prohibits smoking at the Horseshoe Baltimore. The likelihood or outcome of similar legislation in such jurisdictions and referendums in the future cannot be predicted, though any smoking ban would be expected to negatively impact CGP LLC's financial performance.

The casino entertainment industry represents a significant source of tax revenues to the various jurisdictions in which casinos operate. From time to time, various state and federal legislators and officials have proposed changes in tax laws, or in the administration of such laws, including increases in tax rates, which would affect the industry. If adopted, such changes could adversely impact CGP LLC's business, financial condition and results of operations.

Acts of terrorism, natural disasters, severe weather and political, economic and military conditions may impede CGP LLC's ability to operate or harm its financial results.

Terrorist attacks and other acts of war or hostility have created many economic and political uncertainties. For example, a substantial number of the customers of Planet Hollywood use air travel. As a result of terrorist acts, domestic and international travel was severely disrupted, which resulted in a decrease in customer visits to Las Vegas. We cannot predict the extent to which disruptions in air or other forms of travel as a result of any further terrorist act, security alerts or war, uprisings, or hostilities in places such as Iraq and Afghanistan, or other countries throughout the world, will continue to directly or indirectly impact CGP LLC's business and operating results. In addition, severe or inclement weather affecting the ability of Planet Hollywood's customers to travel can have a negative impact on its results of operations.

Political, economic and military conditions may directly affect CGP LLC's business by impeding its operations or player demand. In particular, a significant portion of the operations and personnel of Playtika, a subsidiary of CIE and the operator of *Slotomania*, are located in Israel, a country located in a particularly volatile region. CIE also has approximately 300 employees in Ukraine, a country currently facing political unrest. Any hostilities, or any future armed conflicts, political or economic instability or violence in the Middle East or further disruptions in Ukraine could have a material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and operating results.

Any violation of the Foreign Corrupt Practices Act or other similar laws and regulations could have a negative impact on us.

CGP LLC is subject to risks associated with doing business outside of the United States, which exposes CGP LLC to complex foreign and U.S. regulations inherent in engaging in a cross-border business and in each of the countries in which CGP LLC and its businesses transacts business. CGP LLC is subject to requirements imposed by the FCPA and other anti-corruption laws that generally prohibit U.S. companies and their affiliates from offering, promising, authorizing or making improper payments to foreign government officials for the purpose of obtaining or retaining business. Violations of the Foreign Corrupt Practices Act ("FCPA") and other anti-corruption laws may result in severe criminal and civil sanctions as well as other penalties and the SEC and U.S. Department of Justice have increased their enforcement activities with respect to the FCPA. Policies and procedures and employee training and compliance programs that CGP LLC has implemented to deter prohibited practices may not be effective in prohibiting our employees, contractors or agents from violating or circumventing our policies and the law. If the employees, contractors or agents of Caesars Entertainment, Planet Hollywood, Horseshoe Baltimore and CIE fail to comply with applicable laws or company policies governing its international operations, CGP LLC may face investigations, prosecutions and other legal proceedings and actions which could result in civil penalties, administrative remedies and criminal sanctions. Any determination that we have violated any anti-corruption laws could have a material adverse effect on CGP LLC's financial condition. Compliance with international and U.S. laws and regulations that apply to CGP LLC's international operations increase CGP LLC's cost of doing business in foreign jurisdictions. CGP LLC and its businesses also deal with significant amounts of cash in its operations and are subject to various reporting and anti-money laundering regulations. Any violation of anti-money laundering laws ("AML") or regulations, on which in recent years, governmental authorities have been increasingly focused, with a particular focus on the gaming industry, by any of our resorts could have a negative effect on our results of operations. As an example, a major gaming company recently settled a U.S. Attorney investigation into its AML practices. On October 11, 2013, a subsidiary of Caesars Entertainment received a letter from the Financial Crimes Enforcement Network of the United States Department of the Treasury ("FinCEN"), stating that FinCEN is investigating Desert Palace, Inc. (the owner of Caesars Palace) for alleged violations of the Bank Secrecy Act ("BSA") based on a BSA examination of Caesars Palace previously conducted by the Internal Revenue Service to determine whether it is appropriate to assess a civil penalty and/or take additional enforcement action against Caesars Palace. Additionally, Caesars Entertainment has been informed that a federal grand jury investigation related to these matters is on-going. We intend to cooperate fully with both the FinCEN and grand jury investigations. Based on proceedings to date, we are currently unable to determine the probability of the outcome of these matters or the range of reasonably possible loss, if any.

Risks Related to CGP LLC's Interactive Entertainment Business

One game has historically generated the majority of CIE's revenue, and CIE must continue to launch and enhance games that attract and retain a significant number of players in order to grow its revenue and sustain its competitive position.

Historically, CIE has depended on one game for the majority of its revenue and we expect that this dependency will likely continue for the foreseeable future. Specifically, *Slotomania* accounted for 64% of CIE's social and mobile online game revenue for 2013 and 61% of CIE's total revenue for 2013. CIE's growth depends on its ability to increase interest in its key established game, *Slotomania*, by continually enhancing the game. Additionally, CIE must launch new games that achieve significant popularity. Each of CIE's games requires significant engineering, marketing and other resources to develop, launch and sustain via regular upgrades and expansions, and such costs on average have increased and are likely to continue to increase in the future. CIE's ability to successfully launch, sustain and expand games and attract and retain players largely depends on its ability to:

- anticipate and effectively respond to changing player interests and preferences;
- anticipate and respond to changes in the competitive landscape, including any future legalization of online real money gaming in the United States and other jurisdictions;
- attract, retain and motivate talented game designers, product managers and engineers;
- develop, sustain and expand games that are fun, interesting and compelling to play;
- effectively market new games and enhancements to CIE's existing players and new players;
- minimize launch delays and cost overruns on new games and game expansions;

- minimize downtime and other technical difficulties; and
- acquire high quality assets, personnel and companies.

It is difficult to consistently anticipate player demand on a large scale, particularly as CIE develops new games in new markets, including international markets and mobile platforms. If CIE does not successfully launch and sustain games that attract and retain a significant number of players and extend the life of CIE's existing games, it could have a material adverse effect on CIE's, therefore CGP LLC's, business, financial condition and operating results.

If CIE's top game, Slotomania, does not maintain its popularity, CIE's results of operations could be harmed.

In addition to creating new games that are attractive to a significant number of players, CIE must extend the life of its existing games, in particular its most successful game, *Slotomania*. For a game to remain popular, CIE must routinely enhance, expand and/or upgrade the game with new features and content that players find attractive. Such enhancement requires the investment of significant resources, integration into new platforms, introduction of new languages, expansion into new jurisdictions and often presents new marketing and other challenges. CIE may not be able to successfully enhance, expand or upgrade CIE's current library of games. Any decrease in the popularity of CIE's social and mobile games, or any other adverse developments relating to CIE's most popular game, *Slotomania*, could have a material adverse effect on its, and therefore CGP LLC's, business, financial condition and operating results.

CIE relies on a small portion of its total players for nearly all of its revenue from social and mobile games and if CIE fails to grow or sustain its player base, its results of operations could be adversely affected.

Consistent with the social and mobile games business model, only a small portion of CIE's social and mobile games players pay for virtual goods. During 2013, CIE's social and mobile games business had approximately 203 thousand average Monthly Unique Payers, or 1.4% of the total number of CIE's average Monthly Unique Users on its social and mobile platforms. In order to sustain and increase CIE's revenue levels, CIE must attract, retain and increase the number of players that are payers. To retain players, CIE must devote significant resources so that the games they play retain their interest and attract them to CIE's other games. If CIE fails to grow or sustain its player base, or if the rates at which CIE attracts and retain players declines or if the average amount of revenue CIE receives from its players declines, it could have a material adverse effect on CIE's, therefore CGP LLC's, business, financial condition and operating results.

The social and mobile games industry is rapidly growing and changing, which makes it difficult to evaluate CIE's business and prospects.

Social and mobile games, from which CGP LLC and Predecessor Growth Partners derived 95.6% of the revenue for the Interactive Entertainment business for 2013, is a rapidly growing and evolving industry. The growth of the industries and the level of demand and market acceptance of CIE's games are subject to a high degree of uncertainty. CIE's future operating results will depend on numerous factors affecting the social and mobile games industry, many of which are beyond CIE's control, including, among others:

- the occurrence and manner of legalization of online real money gaming in the United States beyond Nevada, Delaware and New Jersey;
- continued worldwide growth in the adoption and use of Facebook, other social networks and mobile platforms;
- changing rules and requirements on social networks, like Facebook and mobile platforms, like Android and Apple iOS;
- changes in consumer demographics and public tastes and preferences;
- changing laws and regulations affecting social and mobile games;
- the availability and popularity of other forms of entertainment;
- the worldwide growth of personal computer, broadband Internet and mobile device users, and the rate of any such growth; and
- general economic conditions, particularly economic conditions adversely affecting discretionary consumer spending.

CIE's ability to plan for game development, distribution and promotional activities will be significantly affected by its ability to anticipate and adapt to relatively rapid changes in the tastes and preferences of its current and potential players. New and different types of entertainment may increase in popularity at the expense of social and mobile games. A decline in the popularity of social or mobile games in general, or CIE's games in particular, could have a material adverse effect on its, and therefore CGP LLC's, business, financial condition and operating results.

CIE has a new business model and a short operating history, which makes it difficult to evaluate its prospects and future financial results and may increase the risk that it will not be successful.

CIE's business was formed in May 2009, and CIE's business changed significantly with the acquisition of Playtika in 2011. Consequently, CIE has a short operating history and a new business model, both of which make it difficult to effectively assess its future prospects. Today, CIE's business model is largely based on offering games that are free to play on social and mobile platforms, regulated online real money gaming in the UK and its WSOP sponsorship and licensing businesses. However, we expect CIE's business model to evolve as other states legalize online poker or online gambling. Moreover, to date, CIE's social and mobile games business only earns revenue from a small portion of its players. In addition, CIE's experience in the complex business of online real money gaming is limited. CIE's future prospects are particularly difficult to assess because it has derived the majority of its historical revenue from its acquisition of Playtika in 2011. You should consider CIE's business and prospects in light of the challenges it faces, any one, or the combination, of which could have material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and operating results.

The low barriers to entry and intense competition that characterizes the social and mobile games industry could have an adverse effect on CIE's, and therefore CGP LLC's, business financial condition and results of operations.

The social and mobile games industry has low barriers to entry and we expect more companies to enter the sector and a wider range of social and mobile games to be introduced. The industry is also highly competitive. CIE's competitors that develop social and mobile games vary in size and include publicly traded companies such as Zynga Inc. ("Zynga"), Glu Mobile, International Game Technology ("IGT") and Electronic Arts and privately held companies such as *Midasplayer.com* Limited (operators of *King.com*). In addition, online game developers and distributors who are primarily focused on specific international markets, such as Tencent Holdings Limited in Asia, and high-profile companies with significant online presences that to date have not developed social and mobile games, such as Amazon.com, Inc., Apple Inc., Facebook, Google Inc. ("Google"), Microsoft and Yahoo! Inc., may decide to develop social and mobile games in the future. Some of these current and potential competitors have significant resources for developing or acquiring additional games, may be able to incorporate their own highly recognized brands and assets into their games, have a more diversified set of revenue sources than CIE currently does and may be less severely affected by changes in consumer preferences, regulations or other developments that may impact the social and mobile games industry. As CIE continues to devote significant resources to developing games for social and mobile platforms, CIE will face significant competition from established companies that may have far greater experience than CIE, including Zynga and Electronic Arts. Moreover, there exists in the social and mobile games industry a significant "first mover" advantage. CIE's ability to compete effectively in respect to a particular style of game may be premised on introducing a game in that style before CIE's competitors. We cannot assure you that CIE will be able to continue to compete effectively or that CIE will be capable of maintaining or further increasing its current market share. CIE's failure to compete successfully in its various markets could have a material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and results of operations.

If CIE fails to effectively manage its growth, CIE's, and therefore CGP LLC's, business and operating results could be harmed.

CIE continues to experience rapid growth in its headcount and operations, which will continue to place significant demands on its management and operational, financial and technological infrastructure. As of December 31, 2013, approximately 56% of CIE's employees had been with CIE for less than one year and approximately 88% for less than two years. Moreover, a number of the individuals CIE relies on for its operations are consultants, not full-time employees on CIE's payroll. As CIE continues to grow, it must expend significant resources to identify, hire, integrate, develop and motivate a large number of qualified employees. If CIE fails to effectively manage its hiring needs and successfully integrate its new hires, CIE's ability to continue launching new games and enhance existing games could suffer.

To effectively manage the growth of CIE's business and operations, it will need to continue spending significant resources to improve its technology infrastructure, its operational, financial and management controls, and its reporting systems and procedures by, among other things:

- monitoring and updating CIE's technology infrastructure to maintain high performance and minimize down time;
- enhancing information and communication systems to ensure that CIE's employees and offices around the world are well-coordinated and can effectively communicate with each other; and
- appropriately documenting CIE's information technology systems and business processes.

If CIE fails to successfully do these things, it could have a material adverse effect on its, and therefore CGP LLC's, business, financial condition and operating results.

CIE's growth prospects will suffer if it is unable to develop successful games for new and emerging platforms.

We expect CIE to devote substantial resources to the development of its social online and mobile games on new and emerging platforms, and its limited experience makes it difficult to know whether CIE will succeed in developing such games that appeal to players or advertisers on such new and emerging platforms. The uncertainties CIE faces include:

- its experience in developing social games for use primarily on Facebook and Apple iOS may not be relevant for developing games for new and emerging platforms;
- many new and emerging platforms are located in countries where CIE has no or limited operating experience;
- new and emerging platforms may require different technological requirements to adapt CIE's games than its current platforms, which may require significant expense;
- CIE has limited experience working with wireless carriers, new and emerging platform providers and other partners whose cooperation CIE may need in order to be successful; and
- CIE will need to move beyond payment methods provided by social networks and successfully allow for a variety of payment methods and systems based on new mobile platforms, geographies and other factors.

These and other uncertainties make it difficult to know whether CIE will succeed in developing commercially viable games for new and emerging social and mobile platforms. If CIE does not succeed in doing so, it could have a material adverse effect on its, therefore CGP LLC's, business, financial condition and operating results.

If CIE is unable to maintain a good relationship with Facebook, Apple and/or Google, or if Facebook, Apple or Google were to change their respective terms of service in ways unfavorable to CIE, CIE's business may suffer.

Facebook, Apple iOS and Android are significant distribution, marketing, promotion and payment platforms for CIE's games. In 2013, CIE generated approximately 97% of its social and mobile games revenue and 88% of its social and mobile games users through the Facebook, Apple iOS and Android platforms and we expect CIE to continue to do so for the foreseeable future. CIE is subject to Facebook's, Apple's and Google's respective standard terms and conditions for application developers, which govern the promotion, distribution and operation of games and other applications on the Facebook, Apple iOS and Android platforms.

CIE has benefited from Facebook's, Apple's and Google's strong brand recognition and large user bases. If Facebook, Apple iOS and/or Google loses its market position or otherwise falls out of favor with Internet users, CIE would need to identify alternative channels for marketing, promoting and distributing CIE's social and mobile games, which would consume substantial resources and may not be effective. In addition, Facebook, Apple and Google each have broad discretion to change their respective terms of service and other policies, without CIE's consent and without notice, with respect to CIE and other developers, and those changes may be unfavorable to CIE. Facebook, Apple and/or Google may also change their respective fee structures, add fees associated with access to and use of the Facebook, Apple iOS and Android platforms, change how the personal information of their respective users is made available to application developers on the Facebook, Apple iOS or Android platforms, restrict how Facebook, Apple iOS or Android users can share information with friends on their respective platforms, restrict or discontinue access for consumers from certain countries, discontinue or limit access to their respective platforms by CIE and other game developers or develop their own competitive offerings. If any of these events were to materialize, it could have a material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and operating results.

The loss of the services of key personnel at CIE could have a material adverse effect on its business.

The leadership of CIE's chief executive officer, Mitch Garber, and other executive officers has been a critical element of its success. The death or disability of Mitch Garber or other extended or permanent loss of his services, or any negative market or industry perception with respect to him or arising from his loss, could have a material adverse effect on CIE's, therefore CGP LLC's, business. CIE's other executive officers and other members of senior management, including Robert Antokol, co-founder of Playtika, have substantial experience and expertise in the social and mobile games industry and have made significant contributions to CIE's growth and success. The unexpected loss of services of one or more of these individuals could have a material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and operating results. CIE is not protected by key man or similar life insurance covering members of its senior management. CIE has employment agreements with certain of its executive officers, but these agreements do not guarantee that any given executive will remain with CIE.

If CIE is unable to attract, retain and motivate employees, it may not be able to compete effectively and may not be able to successfully expand its businesses.

CIE's success and ability to grow are dependent, in part, on its ability to hire, retain and motivate sufficient numbers of talented people, with the increasingly diverse skills needed to serve and expand its business. Such employees, particularly game designers, product managers and

engineers, are in high demand, and CIE devotes significant resources to identifying, hiring,

training, integrating and retaining these employees. These efforts place significant demands on CIE's resources. Historically, CIE has hired a number of key personnel through strategic acquisitions, such as our acquisition of Playtika, and as competition with other social and mobile games companies increases, CIE may incur significant expenses in continuing this practice. The inability to attract qualified employees in sufficient numbers to meet particular demands or the loss of a significant number of CIE's employees could have a material adverse effect on CIE's, therefore CGP LLC's, business, financial condition and operating results.

Expansion into international markets is important for CIE's growth, and as CIE expands internationally it faces additional business, political, regulatory, operational, financial and economic risks, any of which could increase its costs and hinder its growth.

Continuing to expand CIE's business to attract players in countries other than the United States is a critical element of CIE's business strategy. An important part of targeting international markets is developing offerings that have localized content and are customized for the players in those markets. We expect to continue to devote significant resources to international expansion through acquisitions, the establishment of additional offices and development studios, and increasing CIE's foreign language strategic offerings. CIE's ability to expand its business and to attract talented employees and players in an increasing number of international markets requires considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal systems, alternative dispute systems, regulatory systems and commercial infrastructures. Expanding CIE's international focus may subject it to risks that it has not faced before or increase risks that CIE currently faces, including risks associated with:

- recruiting and retaining talented and capable management and employees in foreign countries;
- challenges caused by distance, language and cultural differences;
- developing and customizing games and other offerings that appeal to the tastes and preferences of players in international markets;
- competition from local game makers with significant market share in those markets and with a better understanding of local player preferences;
- protecting and enforcing CIE's intellectual property rights;
- negotiating agreements with local distribution platforms that are economically beneficial to CIE and protective of its rights;
- the inability to extend proprietary rights in CIE's brand, content or technology into new jurisdictions;
- implementing alternative payment methods for virtual goods in a manner that complies with local laws and practices and protects CIE from fraud;
- compliance with applicable foreign laws and regulations, including privacy laws and laws relating to content;
- compliance with anti-bribery laws, including, without limitation, compliance with the FCPA;
- credit risk and higher levels of payment fraud;
- currency exchange rate fluctuations;
- protectionist laws and business practices that favor local businesses in some countries;
- foreign tax consequences, including the requirement to pay value added tax, or VAT, in certain jurisdictions;
- foreign exchange controls or U.S. tax restrictions that might restrict or prevent CIE from repatriating income earned in countries outside the United States; and
- political, economic and social instability.

Entering new international markets can be expensive, CIE's ability to successfully gain market acceptance in any particular market is uncertain and the distraction of CIE's senior management team could mean that it is unable to capitalize on other strategic opportunities. If CIE is unable to successfully expand into new international markets, it could have a material adverse effect on CIE's, therefore CGP LLC's, business, financial condition and operating results.

The value of CIE's virtual goods is highly dependent on how CIE manages the economies in its games. If CIE fails to manage its game economies properly, its business may suffer.

Players from whom CIE derives revenue purchase virtual goods in CIE's games because of the perceived value of these goods, which is dependent on the relative ease of securing an equivalent good via non-paid means within the game. The perceived value of these virtual goods can be impacted by various actions that CIE takes in the games, including offering

discounts for virtual goods, giving away virtual goods in promotions or providing easier non-paid means to secure these goods. If CIE fails to manage its virtual economies properly, players may be less likely to purchase virtual goods, which could have a material adverse effect on its, and therefore CGP LLC's business, financial condition and operating results.

The proliferation of hacking, security breaches, computer malware, "cheating" programs and scam offers that seek to exploit CIE's games and players affects the game-playing experience and may lead players to stop playing CIE's games.

Security breaches, computer malware and computer hacking attacks have become more prevalent in CIE's industry and may occur on its systems in the future. Because of CIE's prominence in the social and mobile game industry, CIE's affiliation with one of the largest gaming entertainment companies in the world, and because of the prominence of the brands CIE uses in its businesses, including *Caesars*, *WSOP*, *Slotomania* and *Bingo Blitz*, we believe CIE is a particularly attractive target for hackers. Though it is difficult to determine what harm may exactly result from any specific interruption or breach, any failure to maintain performance, reliability, security and availability of CIE's network infrastructure to the satisfaction of its players may harm CIE's reputation and its ability to retain existing players and attract new players. CIE is particularly exposed to these risks in its online real money gaming business where players place an especially high value on the proper functioning of CIE's games. Any security breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses could have a material adverse effect on CIE's, and therefore CGP LLC's business, financial condition and operating results.

Unrelated third parties have developed, and may continue to develop, "cheating" programs and activities that enable players to exploit CIE's games, play them in an automated way or obtain unfair advantages over other players who do play fairly, including through the unauthorized sale of CIE's virtual goods. These programs and activities harm the experience of players who play fairly and may disrupt the real money operations and virtual economies of CIE's games. CIE devotes significant resources to discover and disable these programs and activities, but if CIE is unable to do so quickly its operations may be disrupted, its reputation damaged and players may stop playing its games. This may lead to lost revenue from paying players, increased cost of developing technological measures to combat these programs and activities, legal claims relating to the diminution in value of CIE's real money gaming credits, virtual currency and increased customer service costs needed to respond to dissatisfied players.

CIE is subject to payment-related risks, such as risk of fraudulent use of credit or debit cards, which could have adverse effects on CIE's business or results of operations due to unusually large or frequent chargebacks from customers.

CIE accepts payments using a variety of methods, including PayPal, credit and debit cards. As CIE continues to introduce new payment options to its players, CIE may be subject to additional regulatory and compliance requirements. CIE also may be subject to the risk of fraudulent use of credit or debit cards, or other payment options. For certain payment methods, including credit and debit cards, CIE pays interchange and other fees, which may increase over time and, therefore, raise operating costs and reduce profitability. CIE relies on third parties to provide payment processing services and it could disrupt CIE's business if these companies become unwilling or unable to provide these services to CIE. CIE is also subject to rules and requirements governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for CIE to comply. If CIE fails to comply with these rules or requirements, CIE may be subject to fines and higher transaction fees and lose its ability to accept PayPal, credit card, debit card, or other payments from consumers which could have a material adverse effect on its, and therefore CGP LLC's business, financial condition and operating results. In addition, depending on the merchant category code assigned to CIE by the credit card associations, especially for its online real money gaming business, CIE may be subject to a higher percentage of declined transactions which could reduce the amount of money deposited.

Chargebacks occur when customers seek to void credit card or other payment transactions. Cardholders are intended to be able to reverse card transactions only if there has been unauthorized use of the card or the services contracted for have not been provided. In CIE's business, players occasionally seek to reverse their online real money gaming losses or purchases of virtual goods through chargebacks. Although CIE places great emphasis on control procedures to protect from chargebacks, these control procedures may not be sufficient to protect CIE from adverse effects on its business or results of operations due to unusually large or frequent chargebacks.

Programming errors or flaws in CIE's social and mobile games, or on its regulated online real money gaming websites, could harm CIE's reputation or decrease market acceptance of CIE's games, which could have a material adverse effect on its, and therefore CGP LLC's, business, financial condition and operating results.

CIE's social and mobile games, and its regulated online real money gaming websites, may contain errors, bugs, flaws or corrupted data, and these defects may only become apparent after their launch, particularly as CIE launches new games and rapidly releases new features to existing games under tight time constraints. We believe that if CIE's players have a negative experience with its games, they may be less inclined to continue or resume playing CIE's games or recommend its games to other potential players. Undetected programming errors, game defects and data corruption can disrupt CIE's operations, adversely affect the game experience of CIE's players by allowing players to gain unfair advantage, harm CIE's reputation, cause

CIE's players to stop playing its games, divert CIE's resources and delay market acceptance of CIE's games, any of which could have a material adverse effect on its, and therefore CGP LLC's, business, financial condition and operating results.

Companies and governmental agencies may restrict access to Facebook, CIE's websites or the Internet generally, which could lead to the loss or slower growth of CIE's player base.

CIE's online players need to access the Internet to play CIE's games. Companies and governmental agencies could block access to the Internet generally or the particular platform on which a player wishes to play CIE's games (e.g., Facebook) for a number of reasons such as security or confidentiality concerns or regulatory reasons, or they may adopt policies that prohibit employees from accessing Facebook, CIE's website, CIE's online gaming websites or other social platforms for work related efficiency reasons. For example, the government of the People's Republic of China has blocked access to Facebook in China and, according to an article in The Wall Street Journal, Proctor & Gamble recently implemented a policy restricting employee access to a number of popular entertainment websites. If companies or governmental entities block or limit access to Facebook, CIE's website, CIE's online gaming websites or otherwise adopt policies restricting players from playing CIE's games, it could have a material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and operating results.

Evolving regulations concerning data privacy may result in increased regulation and different industry standards, which could prevent CIE from providing its current games to its players or require CIE to modify its games, thereby harming its business.

The regulatory framework for privacy issues worldwide is currently in flux and is likely to remain so for the foreseeable future. Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the Internet and mobile platforms have recently come under increased public scrutiny. The U.S. government, including the Federal Trade Commission and the Department of Commerce, has announced that it is reviewing the need for greater regulation for the collection of information concerning consumer behavior on the Internet, including regulation aimed at restricting certain targeted advertising practices. In addition, the European Union is in the process of proposing reforms to its existing data protection legal framework, which may result in a greater compliance burden for companies with users in Europe. Various government and consumer agencies have also called for new regulation and changes in industry practices.

CIE's business, including its ability to operate and expand internationally, could be adversely affected if laws or regulations are adopted, interpreted or implemented in a manner that is inconsistent with CIE's current business practices and that require changes to these practices, the design of CIE's website, games, features or its privacy policy. In particular, the success of CIE's business has been, and we expect will continue to be, driven by CIE's ability to responsibly use the data that CIE's players share with it. Therefore, CIE's business could be harmed by any significant change to applicable laws, regulations or industry practices regarding the use or disclosure of data CIE's players choose to share with it, or regarding the manner in which the express or implied consent of consumers for such use and disclosure is obtained. Such changes may require CIE to modify its games and features, possibly in a material manner, and may limit CIE's ability to develop new games and features that make use of the data that CIE's players voluntarily share with it.

CIE's business is subject to a variety of other U.S. and foreign laws, many of which are unsettled and still developing and which could subject CIE to claims or otherwise harm its business.

It is possible that a number of laws and regulations may be adopted or construed to apply to CIE in the United States and elsewhere that could restrict the social and mobile industry, including player privacy, advertising, taxation, content suitability, copyright, distribution and antitrust. For example, certain jurisdictions in the United States and elsewhere may deem CIE's social and mobile games to be gambling or marketing gambling to underage persons and therefore in violation of the laws of such jurisdictions. Furthermore, the growth and development of electronic commerce and virtual goods may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies such as CIE conducting business through the Internet and mobile devices. We anticipate that scrutiny and regulation of CIE's industry will increase and that CIE will be required to devote legal and other resources to address such regulation. For example, existing laws or new laws regarding the regulation of currency and banking institutions may be interpreted to cover real money gaming credits, virtual currency or virtual goods. If that were to occur CIE may be required to seek licenses, authorizations or approvals from relevant regulators, the granting of which may be dependent on CIE meeting certain capital and other requirements and CIE may be subject to additional regulation and oversight, all of which could significantly increase CIE's operating costs. Changes in current laws or regulations or the imposition of new laws and regulations in the United States or elsewhere regarding these activities may lessen the growth of social or mobile games or online real money gaming services and impair CIE's, and therefore CGP LLC's, business, financial condition, and operating results.

Any failure to protect CIE's trademarks or other intellectual property could have a negative impact on the value of CIE's brand names and adversely affect its business.

The development of intellectual property is part of CIE's overall business strategy and CIE regards its intellectual property to be an important element of its success. For example, CIE owns and manages the WSOP tournaments and circuit, and

CIE licenses or sublicenses trademarks for a variety of products and businesses related to this brand. CIE also owns the *Slotomania* brand. CIE seeks to establish and maintain its proprietary rights in its business operations and technology through the use of patents, copyrights, trademarks and trade secret laws. CIE files applications for and obtains copyrights and trademarks in the United States and in foreign countries where CIE believes filing for such protection is appropriate. CIE also seeks to maintain its trade secrets and confidential information by nondisclosure policies and through the use of appropriate confidentiality agreements. Despite CIE's efforts to protect its proprietary rights, parties may infringe its copyrights and trademarks and use information that CIE regards as proprietary and CIE's rights may be invalidated or unenforceable. In addition, parties may challenge CIE's copyright or trademark applications in the United States or other jurisdictions. The laws of some foreign countries do not protect proprietary rights to as great an extent as do the laws of the United States. Monitoring the unauthorized use of CIE's intellectual property is difficult. Litigation may be necessary to enforce CIE's intellectual property rights or to determine the validity and scope of the proprietary rights of others. Litigation of this type could result in substantial costs and diversion of CIE's resources. The unauthorized use or reproduction of CIE's trademarks could diminish the value of its brand and its market acceptance, competitive advantages or goodwill, which could have a material adverse effect on CIE's, therefore CGP LLC's, business, financial condition and operating results.

In the future, it is possible that CIE will face allegations that it has infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including from its competitors, non-practicing entities and former employers of its personnel. Patent and other intellectual property litigation may be protracted and expensive, and the results are difficult to predict. As the result of any court judgment or settlement, CIE may be obligated to cancel the launch of a new game, stop offering certain features, pay royalties or significant settlement costs, purchase licenses or modify its games and features while it develops substitutes.

The Leahy-Smith America Invents Act (the "Leahy-Smith Act"), was adopted in September 2011. The Leahy-Smith Act includes a number of significant changes to United States patent law, including provisions that affect the way patent applications will be prosecuted and may also affect patent litigation. The United States Patent and Trademark Office is currently developing regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act did not become effective until up to 18 months after its enactment. Accordingly, it is not clear what, if any, impact the Leahy-Smith Act will have on the operation of CIE's business. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of CIE's patent applications and the enforcement or defense of its issued patents, all of which could harm its business.

CIE's business strategy is premised, in part, on the legalization of online real money gaming in the United States and its ability to predict and capitalize on any such legalization.

In the last few years, California, Florida, Mississippi, Hawaii, Massachusetts, Iowa, Illinois, Washington D.C. and the Federal government have considered legislation that would legalize online real money gaming. To date, only Nevada, Delaware and New Jersey have enacted such legislation. If a large number of additional states or the Federal government fail to enact online real money gaming legislation or CIE is unable to obtain the necessary licenses to operate online real money gaming websites in United States jurisdictions where such games are legalized, CIE's future growth could be materially impaired as CIE would be limited to offering online real money gaming to players in jurisdictions outside the United States where legal. In addition, states or the Federal government may legalize online real money gaming in a manner that is unfavorable to CIE. For example, several states and the Federal government are considering draft laws that require online casinos to also have a license to operate a brick-and-mortar casino, either directly or indirectly through an affiliate. If, like Nevada and New Jersey, U.S. jurisdictions enact legislation legalizing real money casino gaming subject to this brick-and-mortar requirement, CIE may be unable to offer online real money gaming in such jurisdictions if CIE is unable to establish an affiliation with a brick-and-mortar casino in such jurisdiction. If, however, legislation is enacted legalizing real money casino gaming without this requirement, CIE would lose its advantage over some of its potential competitors that do not have an affiliate with a brick-and-mortar casino operation. The loss of this or other similar advantages CIE receives as an affiliate of Caesars Entertainment could materially impair its ability to grow its online real money gaming business in the future.

There also exists in the online real money gaming industry a significant "first mover" advantage. CIE's ability to compete effectively in respect of a particular style of online real money gaming in the United States may be premised on introducing a style of gaming before its competitors. CIE's failure to do so could materially impair its ability to grow its online real money gaming business in the future.

In addition to the risk that online real money gaming will be legalized in a manner unfavorable to CIE, CIE may fail to accurately predict when online real money gaming will be legalized in significant jurisdictions. The legislative process in each U.S. state and at the Federal level is unique and capable of rapid, often unpredictable change. If CIE fails to accurately forecast when and how, if at all, online real money gaming will be legalized in additional U.S. jurisdictions, such failure could impair CIE's readiness to introduce online real money gaming offerings in such jurisdictions, which could have a material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and operating results.

Nevada, Delaware and New Jersey are the only U.S. jurisdictions that have affirmatively legalized online real money gaming and are small jurisdictions that may not yield significant revenue.

Nevada, Delaware and New Jersey are the only U.S. jurisdictions that have enacted legislation legalizing online real money gaming. Both Nevada and Delaware are relatively small jurisdictions in terms of population compared to the rest of the United States and there may be significant competition for online real money gaming in these jurisdictions, and as a result, CIE may not be able to obtain a significant amount of revenue in these jurisdictions.

Individuals may seek to participate in online real money gaming in jurisdictions where it is illegal. If CIE is unsuccessful in blocking such individuals, CIE may suffer legal penalties or an impairment of its ability to offer online real money gaming in general.

Individuals in jurisdictions in which online real money gaming is illegal may nonetheless seek to engage CIE's online real money gaming offerings. While CIE will take steps to block access by individuals in such jurisdictions, those steps may be unsuccessful. In the event that individuals in jurisdictions in which online real money gaming is illegal engage CIE's online real money gaming offerings, CIE may be subject to criminal sanctions, regulatory penalties, the loss of existing or future licenses necessary to offer online real money gaming or other legal liabilities, any one of which could have a material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and operating results. For example, gambling laws and regulations in many jurisdictions require gaming industry participants to maintain strict compliance with various laws and regulations. If CIE is unsuccessful in blocking access to its online real money gaming offerings by individuals in a jurisdiction where such offerings are illegal, CIE could lose or be prevented from obtaining a license necessary to offer online real money gaming in a jurisdiction in which such offerings are legal and CGP LLC's other gaming licenses may be materially impacted.

Social and mobile games may become subject to regulation or prohibition in certain jurisdictions, which could increase CIE's compliance costs or limit the number of jurisdictions in which CIE is able to offer social and mobile games.

Certain jurisdictions may seek to regulate social and mobile games. For example, the UK Gambling Commission publicly indicated that it will consider whether to regulate social and mobile games in the future after considering the issues of consumer protection. Under recent proposed legislation in Australia, certain online social games with a paid-for element would fall under the Interactive Gambling Act, and by being considered gambling would be at risk of outright ban. Thus far, in considering whether regulation or restriction is necessary, most jurisdictions have been interested in understanding the games and whether they constitute gambling under their laws or otherwise require regulation to protect the consumer. If the UK, Australia, or another jurisdiction important to CIE's social and mobile games business regulates or restricts the business, it could have material impacts on how we market our product, on the cost of associated with compliance with such regulation or, depending on the nature of the regulation, CIE could be prohibited from providing social and mobile games, all of which could have material adverse impacts on CIE's, and therefore CGP LLC's, business, financial condition and operating results.

CIE is dependent on a small number of third parties for its online real money gaming platforms.

CIE contracts with a small number of third-party partners to develop, launch, maintain and operate its software platforms for online real money gaming, including its relationship with 888 and Amaya. In addition, CIE enters into license agreements and pays license fees for certain intellectual property rights for the development, launch, maintenance and operation of CIE's real money gaming services. If, in the future, these third parties choose not to provide such services or licenses to CIE on terms acceptable to it, CIE will have to seek alternative means of securing comparable services or licenses, which may be on terms that are not as favorable as the current terms. With respect to CIE's platforms for online real money gaming, the termination of these services or licenses by any of these third parties could delay the launch of CIE's real money online poker operations in the United States if such operations are legalized. For example, if CIE's agreement with 888 related to online gaming services in the United States were to be breached, CIE would not be able to offer online poker in Nevada and/or New Jersey. The occurrence of such events could have a material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and operating results.

Recent changes in U.S. tax laws, the enactment of future legislation implementing changes in the U.S. taxation of international business activities, a change in the application of the tax laws of various jurisdictions or the adoption of other tax reform policies could materially impact CIE's financial position and results of operations.

Recent changes to U.S. tax laws, including limitations on the ability of taxpayers to claim and utilize foreign tax credits and the deferral of certain tax deductions until earnings outside of the United States are repatriated to the United States, as well as changes to U.S. tax laws that may be enacted in the future, could impact the tax treatment of CIE's foreign earnings. The Obama administration has made public statements indicating that it has made international tax reform a priority, and key members of the U.S. Congress have conducted hearings and proposed legislation in the past that addresses several international tax issues. Due to the large and expanding scale of CIE's international business activities, any changes in the U.S. taxation of such activities may increase CIE's worldwide effective tax rate and harm CIE's, and therefore CGP LLC's, financial position and

results of operations. Additionally, any increase or changes in taxes in other countries where CIE has significant operations, such as Israel, could harm CIE's, and therefore CGP LLC's, financial position and results of operations.

Moreover, CIE's corporate structure and intercompany arrangements, including the manner in which CIE develops and uses its intellectual property and the transfer pricing of its intercompany transactions, are intended to provide CIE worldwide tax efficiencies. The application of the tax laws of various jurisdictions, including the United States, to CIE's international business activities is subject to interpretation and depends on CIE's ability to operate its business in a manner consistent with its corporate structure and intercompany arrangements. The taxing authorities of the jurisdictions in which CIE operates may challenge CIE's methodologies for valuing developed technology or intercompany arrangements, including CIE's transfer pricing, or determine that the manner in which CIE operates its business is not consistent with the manner in which CIE reports its income to the jurisdictions, which could increase CIE's worldwide effective tax rate and harm its, and therefore CGP LLC's, financial position and results of operations.

CIE is no longer a member of Caesars Entertainment 's consolidated group for U.S. federal income tax purposes, which will trigger intercompany gains between CIE and Caesars Entertainment or other members of Caesars Entertainment 's consolidated group. CIE could be liable for taxes owed by Caesars Entertainment for periods prior to the date CIE became deconsolidated including with respect to the intercompany gains.

Following the closing of the Rights Offering, Caesars Entertainment no longer owns 80% or more of the common stock of CIE, and therefore, under U.S. federal income tax laws, CIE ceased to be a member of Caesars Entertainment's consolidated group for U.S. federal income tax purposes. The triggering of deferred intercompany gains between CIE and Caesars Entertainment or other members of Caesars Entertainment's consolidated group resulted in the realization of a gain for Caesars Entertainment with respect to the WSOP assets that CIE acquired from CEOC and its subsidiaries.

After its deconsolidation from Caesars Entertainment's consolidated group, CIE is the parent of a new consolidated group for U.S. federal income tax purposes. Pursuant to the terms of the tax matters agreement between CIE and Caesars Entertainment (the "Tax Matters Agreement"), however, CIE may be required to make payments to Caesars Entertainment in respect of taxes owed by Caesars Entertainment for periods prior to the date CIE became deconsolidated. In addition, under U.S. federal income tax laws, each member of a consolidated group is liable for the consolidated group's entire tax obligation. Therefore, to the extent that Caesars Entertainment, or other members of Caesars Entertainment's consolidated group, fail to make any U.S. federal income tax payments required by law attributable to periods during which CIE was a member of Caesars Entertainment's consolidated group, CIE could be liable for the shortfall. Similar principles may apply for foreign, state or local income tax purposes where CIE filed combined, consolidated or unitary returns with Caesars Entertainment or its subsidiaries for foreign, state or local income tax purposes.

Risks Related to CGP LLC's Casino Properties and Developments Business

CGP LLC's Casino Properties and Developments business is particularly sensitive to reductions in discretionary consumer spending resulting from downturns in the economy, the volatility and disruption of the capital and credit markets, adverse changes in the global economy and other factors which could negatively impact our financial performance and our ability to access financing.

Changes in discretionary consumer spending or consumer preferences are driven by factors beyond CGP LLC's control, such as perceived or actual general economic conditions; high energy, fuel and other commodity costs; the cost of travel; the potential for bank failures; a soft job market; an actual or perceived decrease in disposable consumer income and wealth; fears of recession and changes in consumer confidence in the economy; and terrorist attacks or other global events. CGP LLC's Casino Properties and Developments business is particularly susceptible to any such changes because Planet Hollywood offers, and we expect that the Maryland Joint Venture will offer, a highly discretionary set of entertainment and leisure activities and amenities. If discretionary consumer spending declines, then CGP LLC's results of operations will be adversely impacted.

The continuing economic downturn and adverse conditions in the local, regional, national and global markets have negatively affected CGP LLC and may continue to negatively affect CGP LLC in the future. During periods of economic contraction, CGP LLC's revenues may decrease while some of its costs remain fixed or even increase, resulting in decreased earnings. In addition, CGP LLC may also be unable to find additional cost savings to offset any decrease in revenues. Even an uncertain economic outlook may adversely affect consumer spending in CGP LLC's gaming operations and related facilities, as consumers spend less in anticipation of a potential economic downturn.

Theoretical win rates for CGP LLC's casino operations depend on a variety of factors, some of which are beyond its control.

The gaming industry is characterized by an element of chance. Accordingly, Planet Hollywood employs, and the Maryland Joint Venture will employ, theoretical win rates to estimate what a certain type of game, on average, will win or lose in the long run. In addition to the element of chance, theoretical win rates are also affected by the spread of table limits and factors that are beyond CGP LLC's control, such as a player's skill and experience and behavior, the mix of games played, the financial

resources of players, the volume of bets placed and the amount of time players spend gambling. As a result of the variability in these factors, the actual win rates at the casino may differ from the theoretical win rates and could result in the winnings of CGP LLC's gaming customers exceeding those anticipated. The variability of these factors, alone or in combination, have the potential to negatively impact our actual win rates, which may adversely affect CGP LLC's business, financial condition, results of operations and cash flows.

CGP LLC's casino operations extend credit to its customers and may not be able to collect gaming receivables from its credit players.

Planet Hollywood conducts, and Horseshoe Baltimore is expected to conduct, its gaming activities on a credit basis as well as a cash basis, which credit is unsecured. Table games players typically are extended more credit than slot players, and high stakes players are typically extended more credit than patrons who tend to wager lower amounts. High-end gaming is more volatile than other forms of gaming, and variances in win-loss results attributable to high-end gaming may have a significant positive or negative impact on cash flow and earnings in a particular quarter.

Planet Hollywood extends credit to those customers whose level of play and financial resources warrant, in the opinion of Planet Hollywood's management, an extension of credit. These receivables could have a significant impact on our results of operations if deemed uncollectible.

We face the risk of fraud and cheating.

Casino gaming customers may attempt or commit fraud or cheat in order to increase winnings. Acts of fraud or cheating could involve the use of counterfeit chips or other tactics, possibly in collusion with the employees of CGP LLC's casinos. Internal acts of cheating could also be conducted by employees through collusion with dealers, surveillance staff, floor managers or other casino or gaming area staff. Failure to discover such acts or schemes in a timely manner could result in losses in gaming operations. In addition, negative publicity related to such schemes could have an adverse effect on CGP LLC's reputation, potentially causing a material adverse effect on CGP LLC's business, financial condition, results of operations and cash flows.

If we are unable to effectively compete against our competitors, our profits will decline.

The gaming industry is highly competitive and CGP LLC's competitors vary considerably in size, quality of facilities, number of operations, brand identities, marketing and growth strategies, financial strength and capabilities, and geographic diversity. CGP LLC also competes with other non-gaming resorts and vacation areas, and with various other entertainment businesses. Competitors in each market that we participate may have greater financial, marketing, or other resources than CGP LLC do, and there can be no assurance that they will not engage in aggressive pricing action to compete with CGP LLC. Although we believe CGP LLC is currently able to compete effectively in each of the various markets in which we participate, we cannot ensure that CGP LLC will be able to continue to do so or that they will be capable of maintaining or further increasing their current market share. CGP LLC's failure to compete successfully in their various markets could adversely affect their business, financial condition, results of operations, and cash flow.

In recent years, many casino operators have been reinvesting in existing markets to attract new customers or to gain market share, thereby increasing competition in those markets. As companies have completed new expansion projects, supply has typically grown at a faster pace than demand in some markets, including Las Vegas, CGP LLC's largest market, and competition has increased significantly. For example, CityCenter, a large development of resorts and residences, opened in December 2009, SLS Las Vegas, a 1,600 room hotel and casino, is expected to open in Fall 2014 on the northern end of the Strip near Circus Circus, and the Genting Group has announced plans to develop a 3,500 room hotel and 175,000 square foot casino called Resorts World Las Vegas, which is expected to open in 2016 on the northern end of the Strip near Circus Circus. Also, in response to changing trends, Las Vegas operators have been focused on expanding their non-gaming offerings, including upgrades to hotel rooms, new food and beverage offerings, and new entertainment offerings. MGM has announced plans for The Park, which includes a new retail and dining development on the land between New York-New York and Monte Carlo, a renovation of the Strip-front facades of both resorts and a new 20,000 seat indoor arena for sporting events and concerts operated by AEG. Construction of The Park is expected to be complete in 2014, with the arena expected to be complete in 2016. Additionally, SkyVue, a proposed 500-foot observation wheel, has been in construction since 2012. There have also been proposals for other large scale non-gaming development projects in Las Vegas by various other developers, including other arenas, observation wheels and a roller coaster, however, there are no details as to when or if these projects will be complete. The expansion of existing casino entertainment properties, the increase in the number of properties and the aggressive marketing strategies of many of CGP LLC's competitors have increased competition in many markets in which they operate, and this intense competition is expected to continue. These competitive pressures have and are expected to continue to adversely affect CGP LLC's financial performance.

In addition, in the mid-Atlantic region, existing casino resorts provide a number of gaming options for customers, thereby creating significant competition for Horseshoe Baltimore. The casino resorts in the mid-Atlantic region compete with each other on the basis of overall atmosphere, range of amenities, level of service, price, location, entertainment offered and size.

Further, the casino resort that will open with the sixth license in Prince George's County granted by the State of Maryland may draw additional customers away from Horseshoe Baltimore. If Horseshoe Baltimore is unable to effectively compete with other regional casino resorts or keep customers, this inability may negatively affect Horseshoe Baltimore's, and therefore CGP LLC's, business and operations.

CGP LLC's Casino Properties and Developments Business may be subject to material environmental liability, including as a result of unknown environmental contamination.

The Casino Properties and Developments Business is subject to certain federal, state and local environmental laws, regulations and ordinances which govern activities or operations that may have adverse environmental effects, such as emissions to air, discharges to streams and rivers and releases of hazardous substances and pollutants into the environment, as well as handling and disposal from municipal/non-hazardous waste, and which also apply to current and previous owners or operators of real estate generally. Federal examples of these laws include the Clean Air Act, the Clean Water Act, the Resource Conservation Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act and the Oil Pollution Act of 1990. Certain of these environmental laws may impose cleanup responsibility and liability without regard to whether the owner or operator knew of or caused particular contamination or release of hazardous substances. Should unknown contamination be discovered on CGP LLC's property, or should a release of hazardous substances occur on CGP LLC's property, CGP LLC could be required to investigate and clean up the contamination and could also be held responsible to a governmental entity or third parties for property damage, personal injury or investigation and cleanup costs incurred in connection with the contamination or release, which may be substantial. Moreover, such contamination may also impair CGP LLC's ability to use the affected property. Such liability could be joint and several in nature, regardless of fault, and could affect CGP LLC even if such property is vacated. The potential for substantial costs and an inability to use the property could adversely affect our business.

CGP LLC's insurance coverage may not be adequate to cover all possible losses it could suffer, and, in the future, its insurance costs may increase significantly or it may be unable to obtain the same level of insurance coverage.

Planet Hollywood or Horseshoe Baltimore may suffer damage to its property caused by a casualty loss (such as fire, natural disasters and acts of war or terrorism) that could severely disrupt its business or subject it to claims by third parties who are injured or harmed. Although CGP LLC maintains insurance (including property, casualty, terrorism and business interruption insurance), that insurance may be inadequate or unavailable to cover all of the risks to which its business and assets may be exposed. Should an uninsured loss or loss in excess of insured limits occur, it could have a significant adverse impact on CGP LLC's operations and revenues.

CGP LLC renews its insurance policies on an annual basis. If the cost of coverage becomes too high, CGP LLC may need to reduce its policy limits or agree to certain exclusions from its coverage in order to reduce the premiums to an acceptable amount. Among other factors, homeland security concerns, other catastrophic events or any change in the current U.S. statutory requirement that insurance carriers offer coverage for certain acts of terrorism could adversely affect available insurance coverage and result in increased premiums on available coverage (which may cause CGP LLC to elect to reduce its policy limits) and additional exclusions from coverage. Among other potential future adverse changes, in the future CGP LLC may elect to not, or may be unable to, obtain any coverage for losses due to acts of terrorism.

Planet Hollywood licenses the Planet Hollywood brand from affiliates of Robert Earl and there can be no assurances that the Planet Hollywood brand would not be negatively impacted by its use outside of our control.

Affiliates of Robert Earl license certain intellectual property relating to the operation of the Planet Hollywood Resort and Casino to Planet Hollywood. The license includes certain names and trademarks and the right to display certain memorabilia on the Planet Hollywood premises. Planet Hollywood has invested significant time and financing to establish its brand as a Hollywood-themed entertainment and non-gaming destination. The expiration or termination, or modification of the terms, of this license may have a materially adverse effect on Planet Hollywood's, and therefore CGP LLC's, business, financial conditions and operations results.

In addition, the Planet Hollywood brand is used by affiliates of Robert Earl in Hollywood-themed restaurants and shops around the United States and internationally. Any negative events associated with the use of the Planet Hollywood brand with these restaurants and shops may be out of CGP LLC's control, and may negatively impact the brand's image for the Planet Hollywood casino, which could harm Planet Hollywood's, therefore CGP LLC's, business and results of operations.

The success of third parties adjacent to Planet Hollywood are important to our ability to generate revenue and operate our business and any deterioration to their success could materially adversely affect our revenue and operations.

Planet Hollywood does not own the businesses and amenities adjacent to its property such as the Miracle Mile Shops and the hotel tower and timeshare facility operated by Hilton Grand Vacations. However, these adjacent third-party businesses and amenities stimulate additional traffic through the Planet Hollywood complex, including the casino, which is Planet Hollywood's largest generator of revenue. Any decrease in the popularity of, or the number of customers visiting, these adjacent

businesses and amenities may lead to a corresponding decrease in the traffic through Planet Hollywood complex, which would negatively affect Planet Hollywood's, and therefore CGP LLC's, business and operating results.

Adverse outcomes in legal proceedings could adversely affect the Horseshoe Baltimore Casino, including a delay in construction and ultimately the opening of the casino and possible abandonment of the project.

We are involved in legal proceedings concerning environmental approvals for the Horseshoe Baltimore Casino. A was filed in the Circuit Court for Baltimore City, Maryland on February 20, 2013 challenging the Maryland Department of the Environment's ("MDE") approval of an amendment to a cleanup plan, known as a response action plan ("RAP"), to address contamination at the Casino property (the "RAP litigation"). The RAP litigation seeks to vacate the existing RAP for the site which is required as part of our participation in MDE's voluntary cleanup program ("VCP"). This case was dismissed by the Circuit Court for Baltimore City on November 6, 2013 and an appeal was noted on December 6, 2013. The same plaintiffs filed a citizen suit on September 19, 2013 in U.S. District Court for the Northern Division of Maryland under the Resource Conservation and Recovery Act ("RCRA"), alleging violations of RCRA and the existence of conditions which create an imminent and substantial endangerment to human health and the environment. A third complaint was filed on August 1, 2013 in the United States District Court for the Northern Division of Maryland. This action asserts claims similar to those alleged in the state court action and other federal causes of action including alleged violations of plaintiffs' civil rights and attempts to halt construction based on alleged defects in the RAP. Finally, complaints were filed on May 20, 2013 and July 23, 2013 respectively in state and federal court against the City of Baltimore alleging violations of water pollution control laws due to the contamination present at the property. These complaints were dismissed on September 12, 2013 and January 7, 2014, respectively.

Challenges to other environmental approvals issued by the MDE were threatened but never filed. Challenges to construction and zoning approvals and permits issued by the City of Baltimore were filed but were unsuccessful.

None of the approvals or permits we obtained have been rescinded as of the date of this Form 10-K. The time for challenging MDE's approval of CBAC's modified floodplain permit expired without a challenge being filed. No rights of appeal are provided for the other permits that have been issued by MDE to CBAC. Administrative challenges to Baltimore City grading permits and zoning approvals were filed and resolved in our favor by the City. No appeal was filed with regard to the grading permits and the appeal period has lapsed. The decision of the Board of Municipal Zoning Appeals to grant variances for the site was appealed to the Circuit Court for Baltimore City by separate parties on June 20 and 24, 2013. The Circuit Court dismissed those appeals on October 11, 2013 and the challengers did not appeal the Circuit Court's decision.

Developing the Maryland Joint Venture with other equity partners adds additional risk that may result in a material adverse effect on CGP LLC's business, financial condition and operating results.

CGP LLC indirectly holds approximately 51.8% interest in the Maryland Joint Venture. While CGP LLC can influence the management of the Maryland Joint Venture through its equity ownership, CGP LLC will rely on the other equity partners for providing certain funding for development of the Maryland Joint Venture and there can be no assurances that the other equity partners will provide sufficient funding, or any funding at all. The failure of other equity partners in the Maryland Joint Venture to provide the appropriate level of funding may result in a material adverse effect on CGP LLC's business, financial condition and operating results. Following the closing of the CVPR Sale, CGP LLC's equity contribution and indirect ownership in the Maryland Joint Venture will be approximately 41.4%. See Note 19 — Subsequent Events contained in the CGP LLC audited financial statements included in Exhibit 99.1 of this Annual Report.

Risks Related to Our Class A Common Stock

Caesars Entertainment's call right on our Class A common stock may result in you being forced to sell our Class A common stock at a disadvantageous time and will cause you to own stock of Caesars Entertainment. This call right may not occur at all due to the discretion of Caesars Entertainment or the inability of Caesars Entertainment to meet the conditions required to exercise such right.

After October 21, 2016, Caesars Entertainment will have the right, which it may assign to any of its affiliates or to any transferee of all non-voting units of CGP LLC held by Caesars Entertainment, to acquire all or a portion of the voting units of CGP LLC (or, at our option, shares of CAC's Class A common stock) not otherwise owned by Caesars Entertainment at such time. As a result, you may be forced to sell your shares of CAC's Class A common stock on little notice and at a value that may cause you to realize a loss. The exercise of this right by Caesars Entertainment will result in you receiving consideration entirely or partly in the form of stock of Caesars Entertainment, which may be a tax-free reorganization for U.S. federal income tax purposes in certain circumstances. If the exchange is not a tax-free reorganization, you may recognize gain or loss for U.S. federal income tax purposes on such exchange depending on the amount of cash and the value of the stock of Caesars Entertainment you receive in such exchange and the adjusted tax basis of your shares of CAC's Class A common stock. There can be no assurances that the stock of Caesars Entertainment will maintain its value from the time of Caesars Entertainment's

exercise of the call right or be part of an active trading market. As a consequence, you may be forced to dispose of the stock of Caesars Entertainment at a great loss.

In addition, Caesars Entertainment may exercise the call right in its sole discretion, subject to meeting certain conditions, so Caesars Entertainment may decide to not exercise the call right for any reason whatsoever. Moreover, if Caesars Entertainment does not meet certain liquidity requirements, debt leverage ratio and other requirements, it will be unable to exercise the call right. The uncertainty as to the timing of the exercise of the call right, if at all, by Caesars Entertainment may adversely affect the trading value of our stock. See Item 13. Certain Relationships and Related Transactions, and Director Independence.

CGP LLC is required to be liquidated on April 21, 2022, which may result in you receiving less than the full value of your Class A common stock.

Following October 21, 2018 and until April 21, 2022, our Board will have the right to cause a liquidation of CGP LLC, including the sale or winding up of CGP LLC or other monetization of all of its assets. On April 21, 2022 (unless otherwise agreed by Caesars Entertainment and CAC), if our Board has not previously exercised its liquidation right, CGP LLC shall, and our Board shall cause CGP LLC to, effect a liquidation. Because the liquidation will occur on a set schedule, it is possible that regulations or market factors at the time of liquidation may impede the ability to liquidate the assets of CGP LLC. If CGP LLC is unable to liquidate portions of its assets, proceeds from the liquidation will be negatively impacted. Moreover, the forced liquidation does not preserve the flexibility to maximize the value of CGP LLC's assets in a sale by waiting for an advantageous time. In addition, CAC's allocable portion of the gain (if any) on the liquidation of the assets of CGP LLC will generally be subject to U.S. federal income tax at the regular corporate rate. As a result, you may receive less than the full value of your Class A common stock should liquidation occur on April 21, 2022.

An active trading market for our Class A common stock may not develop.

Prior to the closing of the Rights Offering and our listing on the NASDAQ Global Select market on November 19, 2013, there had not been a public market for our Class A common stock. We cannot predict the extent to which investor interest in us will lead to the development of an active trading market or how liquid that market might become. The Sponsors own approximately 66.3% of our common stock and while the shares are eligible for resale, currently such shares are not available for the public market. As a result, our shares may be less liquid than the shares of other newly public companies or other public companies generally and there may be imbalances between supply and demand for our shares. As a result our share price may experience significant volatility and may not necessarily reflect the value of our expected performance. If an active trading market does not develop, you may have difficulty selling any of our common stock that you buy. Consequently, you may not be able to sell our Class A common stock at prices equal to or greater than the price you paid.

Future sales or the possibility of future sales of a substantial amount of our Class A common stock may depress the price of shares of our Class A common stock.

Future sales or the availability for sale of substantial amounts of our Class A common stock in the public market could adversely affect the prevailing market price of our Class A common stock and could impair our ability to raise capital through future sales of equity securities.

All of the outstanding shares of our Class A common stock are eligible for resale under Rule 144 or Rule 701 of the Securities Act, subject to volume limitations, applicable holding period requirements and the lock-up agreements or other contractual restrictions related to certain of our shareholders.

We cannot predict the size of future issuances of our Class A common stock or other securities or the effect, if any, that future issuances and sales of our Class A common stock or other securities, including future sales by Caesars Entertainment, will have on the market price of our Class A common stock. Sales of substantial amounts of Class A common stock (including shares of Class A common stock issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices for our Class A common stock.

The price and trading volume of our Class A common stock may fluctuate significantly, and you could lose all or part of your investment.

The market price of our Class A common stock may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume of our Class A common stock may fluctuate and cause significant price variations to occur. Volatility in the market price of our Class A common stock may prevent you from being able to sell your shares at or above the price you paid for your shares of Class A common stock. The market price for our Class A common stock could fluctuate significantly for various reasons, including:

- our operating and financial performance and prospects;
- our quarterly or annual earnings or those of other companies in our industry;

- conditions that impact demand for the products and services of CGP LLC's businesses;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- changes in earnings estimates or recommendations by securities analysts who track our Class A common stock;
- market and industry perception of our success, or lack thereof, in pursuing our growth strategy;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- changes in government and environmental regulation, including gaming taxes;
- changes in accounting standards, policies, guidance, interpretations or principles;
- arrival and departure of key personnel;
- the small percentage of our shares that are publicly traded;
- changes in our capital structure;
- increases in market interest rates that would decrease the value of CGP LLC's fixed-rate securities;
- changes in the stock price of, or a restructuring of, Caesars Entertainment;
- sales of Class A common stock by us or affiliates of the Sponsors;
- the expiration of contractual lock-up agreements; and
- changes in general market, economic and political conditions in the United States and global economies or financial markets, including those resulting from natural disasters, terrorist attacks, acts of war and responses to such events.

In addition, in recent years, the stock market has experienced significant price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in the gaming, lodging, hospitality and entertainment industries. The changes frequently appear to occur without regard to the operating performance of the affected companies. Hence, the price of our Class A common stock could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce our share price.

Hamlet Holdings controls us and their interests may conflict with or differ from your interests as a stockholder.

Hamlet Holdings beneficially owns approximately 66.3% of our Class A common stock. Hamlet Holdings has the power to control our Board. Moreover, Hamlet Holdings has the ability to vote on any transaction that requires the approval of our Board or our stockholders, including the approval of significant corporate transactions such as mergers and the sale of substantially all of our assets. In addition, Hamlet Holdings, the members of which are comprised of three individuals affiliated with Apollo and two individuals affiliated with TPG, as of the date hereof beneficially own approximately 63.9% of Caesars Entertainment's common stock and controls Caesars Entertainment. As a result, even though an independent committee of the Board of Caesars Entertainment may make decisions with regard to development opportunities for CGP LLC, Hamlet Holdings is in a position to exert a significant influence over both of CAC and Caesars Entertainment and the direction of their business and operations.

The interests of Hamlet Holdings and the Sponsors could conflict with or differ from the interests of holders of our Class A common stock. Affiliates of the Sponsors are in the business of making or advising on investments in companies they hold, and may from time to time in the future acquire interests in or provide advice to businesses that directly or indirectly compete with certain portions of our business or are suppliers or customers of ours or may pursue acquisitions that may be complementary to our business, in which case and, as a result, those acquisition opportunities may not be available to us.

The concentration of ownership held by Hamlet Holdings could delay, defer or prevent a change of control of us or impede a merger, takeover or other business combination which another stockholder may otherwise view favorably. In addition, a sale of a substantial number of shares of stock in the future by Hamlet Holdings could cause our stock price to decline. So long as Hamlet Holdings continues to beneficially own a significant amount of the outstanding shares of our Class A common stock, Hamlet Holdings will continue to be able to strongly influence or effectively control our decisions.

Our stockholders are subject to extensive governmental regulation and if a stockholder is found unsuitable by the gaming authority, that

stockholder would not be able to beneficially own our Class A common stock directly or indirectly and we will have the right to redeem the Class A common stock of such disqualified holder.

In many jurisdictions, gaming laws can require any of our stockholders to file an application, be investigated and qualify or have his, her or its suitability determined by gaming authorities. Gaming authorities have very broad discretion in determining whether an applicant should be deemed suitable. Subject to certain administrative proceeding requirements, the

gaming regulators have the authority to deny any application or limit, condition, restrict, revoke or suspend any license, registration, finding of suitability or approval, or fine any person licensed, registered or found suitable or approved, for any cause deemed reasonable by the gaming authorities. For additional information on the criteria used in making determinations regarding suitability, see "Gaming Regulation Overview" in Exhibit 99.2 of this annual report.

For example, under Nevada gaming laws, each person who acquires, directly or indirectly, beneficial ownership of any voting security, or beneficial or record ownership of any non-voting security or any debt security, in a public corporation which is registered with the Nevada Gaming Commission, or the Gaming Commission, may be required to be found suitable if the Gaming Commission has reason to believe that his or her acquisition of that ownership, or his or her continued ownership in general, would be inconsistent with the declared public policy of Nevada, in the sole discretion of the Gaming Commission. Any person required by the Gaming Commission to be found suitable shall apply for a finding of suitability within 30 days after the Gaming Commission's request that he or she should do so and, together with his or her application for suitability, deposit with the Nevada Gaming Control Board a sum of money which, in the sole discretion of the Control Board, will be adequate to pay the anticipated costs and charges incurred in the investigation and processing of that application for suitability, and deposit such additional sums as are required by the Control Board to pay final costs and charges. Additionally, under Ohio law, an institutional investor, which is broadly defined and includes any corporation that holds any amount of our stock, will be required to apply for and obtain a waiver of suitability determination.

Furthermore, any person required by a gaming authority to be found suitable, who is found unsuitable by the gaming authority, may not hold directly or indirectly the beneficial ownership of any voting security or the beneficial or record ownership of any non-voting security or any debt security of any public corporation which is registered with the gaming authority beyond the time prescribed by the gaming authority. Such a finding could result in an owner of our securities being required to dispose of their securities at prices less than the price paid for such securities. A violation of the foregoing may constitute a criminal offense. A finding of unsuitability by a particular gaming authority impacts that person's ability to associate or affiliate with gaming licensees in that particular jurisdiction and could impact the person's ability to associate or affiliate with gaming licensees in other jurisdictions. The Certificate of Incorporation contains provisions establishing the right to redeem our Class A common stock held by disqualified holders if such holder is determined by any gaming regulatory agency to be unsuitable.

Many jurisdictions also require any person who acquires beneficial ownership of more than a certain percentage of voting securities of a gaming company and, in some jurisdictions, non-voting securities, typically 5%, to report the acquisition to gaming authorities, and gaming authorities may require such holders to apply for qualification or a finding of suitability, subject to limited exceptions for "institutional investors" that hold a company's voting securities for investment purposes only. Under Maryland gaming laws, we may not sell or otherwise transfer more than 5% of the legal or beneficial interest in Horseshoe Baltimore without the approval of the Maryland Lottery and Gaming Control Commission, or the Maryland Commission, after the Maryland Commission determines that the transferee is qualified or grants the transferee an institutional investor waiver. Some jurisdictions may also limit the number of gaming licenses in which a person may hold an ownership or a controlling interest and in Maryland an individual or business entity may not own an interest in more than one video lottery facility. It is unclear whether and to what extent such prohibitions will apply to online real money gaming operations when and if such operations become legal in U.S. jurisdictions other than Nevada, New Jersey, and Delaware.

Your percentage ownership in us may be diluted in the future.

Your percentage ownership in CAC may be diluted in the future because of equity awards that may be granted to our directors, officers, employees and service providers in the future. We may decide to establish equity incentive plans that will provide for the grant of common stock-based equity awards to our directors, officers, employees and service providers. In addition, we may issue equity in order to raise capital or in connection with future acquisitions and strategic investments, which would dilute your percentage ownership.

Because we do not anticipate paying dividends on our Class A common stock in the foreseeable future, you should not expect to receive dividends on shares of our Class A common stock.

We have no present plans to pay cash dividends to our stockholders and, for the foreseeable future, intend to retain all of our earnings for use in our business. The declaration of any future dividends by us is within the discretion of our Board and will be dependent on our earnings, financial condition and capital requirements, as well as any other factors deemed relevant by our Board.

We are a "controlled company" within the meaning of the NASDAQ Marketplace rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements.

Hamlet Holdings controls a majority of our voting Class A common stock. As a result, we are a "controlled company" within the meaning of the NASDAQ corporate governance standards. Under the NASDAQ Marketplace rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements, including:

- the requirement that a majority of the Board consists of independent directors;
- the requirement that we have a nominating and corporate governance committee that is composed entirely of independent directors;
- the requirement that we have a compensation committee that is composed entirely of independent directors; and
- the requirement for an annual performance evaluation of the nominating and corporate governance and compensation committees.

We intend to utilize these exemptions. As a result, we will not have a majority of independent directors nor will our nominating and corporate governance and compensation committees consist entirely of independent directors and we are not required to have an annual performance evaluation of the nominating and corporate governance and compensation committees. Accordingly, you do not have the same protections afforded to stockholders of companies that are subject to all of the NASDAQ corporate governance requirements.

We are an "emerging growth company" and our possible election to delay adoption of new or revised accounting standards applicable to public companies may result in our financial statements not being comparable to those of other public companies. As a result of this and other reduced disclosure requirements applicable to emerging growth companies, our Class A common stock may be less attractive to investors.

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. In addition, Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards such that an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

We have elected to delay such adoption of new or revised accounting standards, and as a result, we may not comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. As a result, our financial statements may not be comparable to the financial statements of other public companies.

We may take advantage of these reporting exemptions until we are no longer an "emerging growth company." We will remain an "emerging growth company" until the earliest to occur of (i) the last day of the fiscal year during which our total annual gross revenues equal or exceed \$1.0 billion, (ii) the last day of the fiscal year following the fifth anniversary of our initial public offering, (iii) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt or (iv) the date on which we are deemed a "large accelerated filer" under Rule 12b-2 of the Exchange Act.

We cannot predict if investors will find our Class A common stock less attractive because we will rely on certain of these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile.

As a result of our becoming a company with publicly traded common stock, our expenses and administrative burden increased and will likely further increase particularly after we are no longer an "emerging growth company" as defined in the JOBS Act.

As a company with publicly traded common stock, we incur legal, accounting and other expenses that we did not incur as a company without a publicly traded equity security. In addition, our administrative staff is required to perform additional tasks. For example, we need to create or revise the roles and duties of our Board committees and retain a transfer agent. We are also required to hold an annual meeting for our stockholders, which will require us to expend resources to prepare, print and mail a proxy statement relating to the annual meeting.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act and related regulations implemented by the SEC and the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), which amended the Sarbanes-Oxley Act, among other federal laws, are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. Dodd-Frank, signed into law on July 21, 2010, effects comprehensive changes to the regulation of financial services in the United States and will subject us to additional federal regulation. We cannot predict with any certainty the requirements of the regulations ultimately adopted or how Dodd-Frank and such regulations will impact the cost of compliance for a company with publicly traded common stock. We are currently evaluating and monitoring developments with respect to Dodd-Frank and other new and proposed rules and cannot predict or estimate the amount of the additional costs we may incur or the timing of such costs. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed. We also expect that being a company with publicly traded common stock and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our Board, particularly to serve on our audit committee, and qualified executive officers.

As discussed elsewhere in this Form 10-K, as an "emerging growth company" as defined in the JOBS Act, we may take advantage of certain temporary exemptions from various reporting requirements, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. When these exemptions cease to apply, we expect to incur additional expenses and devote increased management effort toward ensuring compliance with them. We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs.

CAUTIONARY STATEMENT PURSUANT TO THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Form 10-K contains or may contain "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. You can identify these statements by the fact that they do not relate strictly to historical or current facts. These statements contain words such as "may," "will," "project," "might," "expect," "believe," "anticipate," "intend," "could," "would," "estimate," "continue," or "pursue," or the negative of these words or other words or expressions of similar meaning may identify forward-looking statements and are found at various places throughout this Form 10-K. These forward-looking statements, including, without limitation, those relating to future actions, new projects, strategies, future performance, the outcome of contingencies such as legal proceedings, and future financial results, wherever they occur in this Form 10-K, are based on our current expectations about future events and are necessarily estimates reflecting the best judgment of CAC's management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements.

Investors are cautioned that forward-looking statements are not guarantees of future performance or results and involve risks and uncertainties that cannot be predicted or quantified, and, consequently, the actual performance of CAC may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to, the following factors, as well as other factors described from time to time in the Company's reports filed with the Securities and Exchange Commission (including the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained therein):

- CAC and CGP LLC's dependence on Caesars Entertainment and its subsidiaries to provide support and services, as well as CGP LLC's dependence on Caesars Entertainment's senior management's expertise and its participation in Caesars Entertainment's Total Rewards loyalty program;
- the effects of a default by Caesars Entertainment on certain debt obligations;
- Caesars Entertainment's interests may conflict with CGP LLC's interests and may possibly keep all potential development opportunities for itself;

- the adverse effects if Caesars Entertainment or any of its subsidiaries were to file for bankruptcy;
- the effects if a third-party successfully challenges Caesars Entertainment or its affiliates ownership of, or right to use, the intellectual property owned or used by subsidiaries of Caesars Entertainment, which CIE licenses for use in its businesses;
- CIE's reliance on subsidiaries of Caesars Entertainment to obtain online gaming licenses in certain jurisdictions, such as New Jersey;
- the adverse effects on CAC's ability to comply with certain obligations imposed by federal securities law and certain debt arrangements if it is determined that Deloitte & Touche LLP was not independent of Caesars Entertainment or CGP LLC;
- the difficulty of operating CGP LLC's business separately from Caesars Entertainment and managing that process effectively could take up a significant amount of management's time;
- CGP LLC's business model and short operating history;
- CGP LLC's ability to realize the anticipated benefits of current or potential future acquisitions, including the Transactions, and the ability to timely and cost-effectively integrate assets, including the properties being acquired in connection with the Asset Sale Transaction, and companies that CGP LLC acquires into its operations;
- the consummation of the Asset Sale Transaction may not be consummated on the terms contemplated or at all;
- the additional capital that CGP LLC may require to consummate the Asset Sale Transaction and support business growth may not be available on acceptable terms;
- the adverse effects of extensive governmental regulation and taxation policies, which are applicable to CGP LLC, are enforced;
- the effects of local and national economic, credit and capital market conditions on the economy in general, and on the gaming industry in particular;
- the sensitivity of CAC's business to reductions in discretionary consumer spending;
- the rapidly growing and changing industry in which CGP LLC operates, such as CIE's social and mobile games business and internet gaming business;
- any failure to protect CGP LLC's trademarks or other intellectual property, such as CIE's ownership of the WSOP trademark;
- abnormal gaming holds ("gaming hold" is the amount of money that is retained by the casino from wagers by customers);
- the effects of competition, including locations of competitors and operating and market competition, particularly the intense competition Planet Hollywood faces from other hotel casino resorts in Las Vegas and Horseshoe Baltimore will face from other regional casinos and resorts;
- the uncertainty surrounding whether CIE's games, such as *Slotomania*, will retain their popularity;
- CIE's ability to launch new games on new and emerging platforms;
- CIE's reliance on a small portion of its total players for nearly all of its revenue from its social and mobile games;
- CAC's ability to expand into international markets in light of additional business, regulatory, operational, financial and economic risks associated with such expansion;
- evolving regulations concerning the social and mobile games industry as well as data privacy, including, but not limited to, the effect of U.S. and foreign laws, some of which are unsettled and still developing;
- the low barriers to entry and intense competition of social and mobile games industry could have adverse effect on CIE and CGP LLC;
- evolving U.S. and foreign laws could subject CIE to claims and prevent CIE from providing its current games to players or to modify its games;

- the effect on CGP LLC's business strategy if real money online poker is not legalized in states other than Delaware, Nevada or New Jersey in the United States or is legalized in an unfavorable manner;

- construction factors, including delays, increased costs of labor and materials, availability of labor and materials, zoning issues, environmental restrictions, soil and water conditions, weather and other hazards, site access matters and building permit issues; and
- political and economic uncertainty created by terrorist attacks and other acts of war or hostility.

Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made. CAC disclaims any obligation to update the forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated or, if no date is stated, as of the date of this Form 10-K.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

CAC and CGP LLC use space in the corporate offices of Caesars Entertainment for their corporate headquarters pursuant to a management services agreement with Caesars Entertainment.

CIE uses space in the corporate offices of Caesars Entertainment for its corporate headquarters pursuant to a shared services agreement with Caesars Entertainment. CIE leases office space in Tel Aviv, Israel for its studio, research and development facilities pursuant to a lease agreement that expires on December 31, 2014, with options available to extend the lease for an additional 24 months. In addition, CIE leases office space in Santa Monica, CA for studio, research and development facilities related to its Buffalo Studios business pursuant to a lease agreement that expires February 28, 2019. CIE also leases office space in Montreal, Canada for its corporate functions pursuant to a lease agreement that expires on December 31, 2015, in the Ukraine for its studio, research and development facilities pursuant to lease agreements that expire April 1, 2014, January 31, 2016, July 14, 2016 and December 1, 2015, in Belarus for its studio, research and development facilities pursuant to a lease agreement that expires December 1, 2014 and in Beijing, China for its studio, research and development facilities pursuant to a lease agreement that expires October 28, 2014.

CGP LLC owns an interest in the Maryland Joint Venture, a joint venture with an affiliate of Rock Gaming and other local investors to open the Horseshoe Baltimore. Caesars Entertainment is leading the development of the casino, and a subsidiary of CEOC will serve as the manager of Horseshoe Baltimore. The property is anticipated to be an integrated casino with a 110,000 square-foot casino floor holding 2,500 VLTs, 108 table games and 25 poker tables. In addition to the gaming space, CGP LLC anticipates the casino facility at Horseshoe Baltimore will contain a 10,000 square foot meeting facility, seven restaurants and/or bars, and a Diamond Lounge for its highest-value gaming customers. The Maryland Joint Venture is also developing an adjacent 3,500-space parking garage, which will facilitate ease of access to the casino for its customers. The project is anticipated to open in the third quarter of 2014 at a cost of approximately \$400 million.

The Planet Hollywood complex occupies a 35-acre site located on the east side of the Las Vegas Strip. Planet Hollywood owns approximately 17.5 acres. Planet Hollywood is party to reciprocal use easements and agreements with third parties governing the operation and maintenance of the hotel, the casino and other amenities and facilities that are part of, or adjoining to, the complex, including the Miracle Mile Shops, the timeshare tower, the parking facility and other common plaza areas and utility services from the central utility plant. The central utility plant, which provides hot and cold water and emergency power to the Planet Hollywood complex, is owned by a third-party and Planet Hollywood leases the land on which the central utility plant is located to such third-party for a nominal yearly rent.

The following table sets forth information about Planet Hollywood as of December 31, 2013:

Summary of Property Information

Property	Type of Casino	Casino Space— Sq. Ft. ^(a)	Slot Machines ^(a)	Table Games ^(a)	Hotel Rooms & Suites ^(a)
Planet Hollywood Resort and Casino	Land-based	64,500	1,100	90	2,500

^(a) Approximate.

We believe the space available for CAC and CGP LLC's businesses is adequate for their current needs. CAC and CGP LLC and its businesses will add new facilities and expand their existing facilities as they add employees and expand their markets, and we believe that suitable additional or substitute space will be available as needed to accommodate any such expansion of CGP LLC's operations.

Item 3. Legal Proceedings

From time to time, CAC, Predecessor Growth Partners or CGP LLC may be subject to legal proceedings and claims in the ordinary course of business.

Multiple lawsuits have been filed against CBAC Gaming, LLC ("CBAC"), the City of Baltimore, the MDE and other parties in relation to the proposed location and the development of Horseshoe Baltimore. These cases allege violations of various environmental laws, violations of zoning laws and public nuisance, among other claims. Although CAC, Predecessor Growth Partners and CGP LLC believe that they have adequate defenses to these claims, an adverse judgment could result in additional costs, delays in construction, or injunctions.

In November 2012, the MDE granted approval of the Maryland Joint Venture's amended RAP under MDE's Voluntary Cleanup Program that named the Maryland Joint Venture, rather than the City of Baltimore, as the party that will implement the RAP and redevelop the proposed location of Horseshoe Baltimore. On February 20, 2013, a group of local residents working with the non-profit Inner Harbor Stewardship Foundation (the "Foundation") filed a complaint in the Maryland Circuit Court challenging the legality of the MDE's approval of the amended RAP. In the case, known as Ruth Sherrill, et al. v. State of Maryland Department of the Environment, et al., the Plaintiffs claimed that the amended RAP was approved without complying with the public notice and participation requirements of Maryland law. The plaintiffs sought additional public notice and participation, and to obtain an injunction on, among other things, any construction activities at the site pending the resolution of the case. On March 14, 2013, the court denied the plaintiffs' motion for a Temporary Restraining Order and Preliminary Injunction ("TRO"). The plaintiffs' appeal of the TRO ruling was dismissed. On April 22, 2013, the plaintiffs filed an amended complaint adding a public nuisance claim to their original complaint. The Maryland Joint Venture filed a motion to dismiss the plaintiffs' amended complaint and a hearing was held on the motion on June 14, 2013. The amended complaint was dismissed on November 6, 2013. The plaintiffs filed a notice of appeal on December 6, 2013 and oral arguments are scheduled for September 2014.

The Sherrill plaintiffs issued a notice of intent to file a citizen suit under 42 U.S.C. §§ 6972(a)(1)(A) and (a)(1)(B) of the Resource Conservation and Recovery Act. This notice of intent indicated an intention to sue CBAC, the City of Baltimore, Whiting-Turner, the general contractor for the construction of the Horseshoe Casino, and the Maryland Chemical Company, the former owner and operator of the site. The citizen suit was filed on September 19, 2013, but did not name Whiting-Turner. The defendants filed motions to dismiss on October 15, 2013 for lack of subject matter jurisdiction and failure to state a claim to which plaintiffs responded on November 1, 2013. No hearing has been set on the motions to dismiss.

The decision of the Board of Municipal Zoning Appeals to grant variances for the site for Horseshoe Baltimore was appealed by separate parties on the basis of alleged procedural irregularities. The appeals were dismissed for lack of standing on October 11, 2013 and no appeal of that decision was timely filed.

On August 1, 2013, ten individuals claiming to represent a class of similarly situated individuals filed a complaint in the U.S. District Court for the Northern District of Maryland against the Maryland Department of the Environment, the City of Baltimore, the U.S. Environmental Protection Agency, CBAC Gaming, LLC, Whiting-Turner Contracting Company, and Urban Green Environmental, LLC. The 11 count complaint alleged that the RAP for the proposed location of Horseshoe Baltimore is inadequate and approved without appropriate public participation. Plaintiffs seek declaratory and injunctive relief, compensatory and punitive damages, and claim violations of civil rights laws and the Clean Water Act, civil conspiracy, and a variety of torts. The plaintiffs also sought a temporary restraining order, which the District Court denied on August 9, 2013. Plaintiffs amended their complaint on November 15, 2013 and again on December 26, 2013, adding 44 new plaintiffs and naming MDE, the Secretary of MDE, the City of Baltimore, the Mayor of the City of Baltimore, the Baltimore Development Corporation, and CBAC Gaming and CBAC Borrower as defendants. The defendants filed motions to dismiss on January 27, 2014 and plaintiffs filed their oppositions on February 28, 2014.

From time to time, the City of Baltimore may be subject to legal proceedings asserting claims related to the site. At this time, CAC, Predecessor Growth Partners and CGP LLC have not been named as parties to these proceedings. However, an unfavorable outcome for the City of Baltimore could lead to construction delays if it were determined that corrective action was required and could not be implemented successfully offsite.

Four residents of Baltimore City and County issued a notice of intent to file a citizen suit under 33 U.S.C. § 1365(b) of the Clean Water Act against the City of Baltimore as owner of the site for water pollution alleged to originate there. A lawsuit was filed on behalf of two of the residents on July 2, 2013. The City of Baltimore moved to dismiss the complaint on August 28, 2013. One of the plaintiffs withdrew from the case on October 10, 2013. The U.S. District Court for the District of Maryland dismissed the case without prejudice on January 7, 2014 for lack of standing.

Two residents of Baltimore City filed suit on May 20, 2013 against the City of Baltimore, as owner of the site, alleging that the City of Baltimore was in violation of Maryland water pollution laws as a result of groundwater contamination alleged to

be migrating from the site. The City of Baltimore was served with the complaint on June 12, 2013. An amended complaint was filed on July 19, 2013, which the City of Baltimore moved to dismiss on August 6, 2013. Plaintiffs dismissed the complaint without prejudice on September 12, 2013.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for the Company's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Effective November 19, 2013, as the result of the Rights Offering, our Class A common stock trades on the NASDAQ Global Select Market under the symbol "CACQ." Prior to that date, there was no public trading market for our Class A common stock. The following table sets forth for indicated period the high and low intra-day sales price per share of our Class A common stock on the NASDAQ Global Select Market.

Fiscal Year Ended December 31, 2013:	High	Low
Fourth Quarter (from November 19, 2013)	\$ 12.42	\$ 10.34

As of March 25, 2014, there were 135,771,882 shares of common stock issued and outstanding that were held by 49 stockholders of record.

Dividends

We did not pay any cash dividends in the period from our date of incorporation (February 25, 2013) through December 31, 2013. We currently do not anticipate paying cash dividends on our common stock in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to applicable laws and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors may deem relevant.

Unregistered Sales of Equity Securities

There have not been any sales by the Company of equity securities in the period from our date of incorporation (February 25, 2013) through December 31, 2013 that have not been registered under the Securities Act.

Use of Proceeds from Registered Securities

On October 21, 2013, the CGP LLC joint venture was formed between subsidiaries of Caesars Entertainment and CAC through the execution of the Transactions:

- (i) The Class A common stock of CAC was made available via a subscription Rights Offering by Caesars Entertainment to its shareholders as of October 17, 2013, whereby each subscription right entitled its holder to purchase from CAC one share of CAC's Class A common stock or the right to retain such subscription right;
- (ii) Affiliates of Apollo and affiliates of TPG exercised their basic subscription rights in full and purchased \$457.8 million worth of CAC's Class A common stock at a price of \$8.64 per whole share;
- (iii) CAC used the proceeds from the exercise of the basic subscription rights in clause (ii) above to purchase 100% of the voting units of CGP LLC;
- (iv) CGP LLC subsequently used \$360.0 million of the proceeds received from CAC in clause (iii) above to purchase from CEOC the Purchased Assets:
 - a. the equity interests of PHWLV, LLC, which holds the Planet Hollywood Resort & Casino in Las Vegas;
 - b. the equity interests of Caesars Baltimore Investment Company, LLC the "Maryland Joint Venture," the entity that indirectly holds interests in the owner of the Horseshoe Baltimore casino ("Horseshoe Baltimore") in Maryland, a licensed casino development project expected to open in the third quarter of 2014; and
 - c. a 50% interest in the management fee revenues of PHW Manager, LLC, which manages Planet Hollywood, and Caesars Baltimore Management Company LLC, which holds a management agreement to manage the Horseshoe Baltimore.
- (v) Caesars Entertainment contributed all of the shares of CIE's outstanding common stock held by a subsidiary of Caesars Entertainment and approximately \$1.1 billion in aggregate principal amount of senior notes held by a subsidiary of Caesars Entertainment (the "CEOC Notes" and, together with the shares of CIE, the "Contributed Assets") to CGP LLC, in exchange for all of CGP LLC's non-voting units.

The closing of the Rights Offering for subscription rights not previously exercised by the Sponsors, and for any over-subscription privileges including over-subscription privileges exercised by the Sponsors, occurred on November 18, 2013 and CAC distributed a total of 135,771,882 shares of Class A common stock to the holders of subscription rights who validly exercised their subscription rights and paid the subscription price in full. CAC received aggregate gross proceeds from the Rights Offering of approximately \$1,173.1 million.

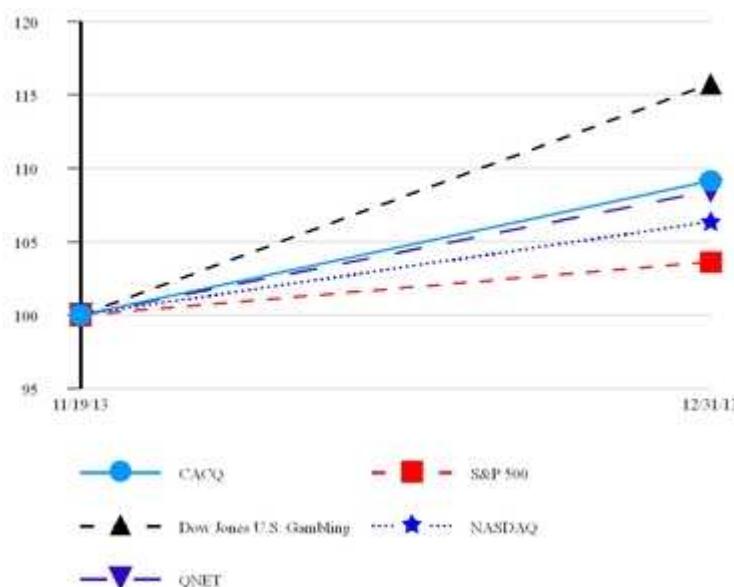
After October 21, 2016, Caesars will have the right (the "Call Right"), which it may assign to any of its affiliates or to any transferee of all non-voting units of CGP LLC held by Caesars, to acquire all or a portion of the voting units of CGP LLC (or, at our option, shares of CAC's Class A common stock) not otherwise owned by Caesars and/or its subsidiaries at such time. On April 21, 2022 (unless otherwise agreed by Caesars Entertainment and CAC), if the board of directors of CAC has not previously exercised its liquidation right, CGP LLC shall, and the board of directors of CAC shall cause CGP LLC to, effect a liquidation.

Share Repurchases

The Company did not repurchase shares of our common stock during the quarter ended December 31, 2013.

Performance Graph

The graph depicted below compares the cumulative total stockholder return on our common stock with the cumulative total return on the Standard & Poor's 500 Stock Index ("S&P 500"), the NASDAQ Composite Index ("NASDAQ"), the NASDAQ Internet Index ("QNET") and the Dow Jones U.S. Gambling Total Stock Market Index ("Dow Jones U.S. Gambling") for the period beginning on November 19, 2013 (the date our common stock commenced trading on the NASDAQ Global Select Market) and ending on December 31, 2013. NASDAQ OMX furnished the data. The performance graph assumes a \$100 investment in our stock and in each of the four indices, respectively, at each of their respective closing values on November 19, 2013, and that all dividends were reinvested. Stock price performance, presented for the period from November 19, 2013 to December 31, 2013, is not necessarily indicative of future results.



	11/19/13	12/31/13
CACQ	\$ 100.00	\$ 109.14
S&P 500	100.00	103.63
Dow Jones U.S. Gambling	100.00	115.75
NASDAQ	100.00	106.34
QNET	100.00	108.46

The performance graph should not be deemed filed or incorporated by reference into any other of our filings under the Securities Act or the Exchange Act, unless we specifically incorporate the performance graph by reference therein.

Equity Compensation Plan Information

CAC does not have any equity compensation plans as of the date of this filing. CAC holds all of the voting units in CGP LLC but does not consolidate CGP LLC into its financial statements. CGP LLC's equity compensation plans are described in Note 15 — Stock-Based Compensation and Employee Benefit Plans contained in the CGP LLC Audited Financial Statements included in Exhibit 99.1 of this Annual Report on Form 10-K.

Item 6. Selected Financial Data

The following table presents financial data of CAC and combined financial data of the assets and entities that were acquired by or contributed to CGP LLC for periods prior to the Transactions, referred to in the aggregate as Predecessor Growth Partners, which is considered to be the predecessor to CAC. The combined financial data of Predecessor Growth Partners is presented as if those businesses and assets were combined into one reporting entity for the periods presented, and have been derived from the historical accounting records of Caesars Entertainment.

The historical financial data of CAC and Predecessor Growth Partners should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations , and the audited financial statements and related notes of CAC and Predecessor Growth Partners included elsewhere in this Form 10-K.

	Caesars Acquisition Company		Predecessor Growth Partners		
	February 25 Through December 31, 2013	January 1 Through October 21, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011	
(In millions, except per share data)					
Statement of Operations					
Revenues					
Interactive Entertainment	\$ —	\$ 242.6	\$ 207.7	\$ 66.5	
Casino Properties and Developments	—	270.2	303.7	306.2	
Net revenues	—	512.8	511.4	372.7	
Operating expenses					
Interactive Entertainment - Direct	—	72.5	62.6	16.3	
Casino Properties and Developments - Direct	—	116.6	139.1	136.6	
Property, general, administrative and other	0.4	194.8	189.0	128.3	
Depreciation and amortization	—	35.1	32.2	29.6	
Change in fair value of contingent consideration	—	50.0	—	—	
Total operating expenses	0.4	469.0	422.9	310.8	
Income from equity method investment in Caesars Growth Partners, LLC	7.3	N/A	N/A	N/A	
Income from operations	6.9	43.8	88.5	61.9	
Interest expense, net of interest capitalized	—	(39.7)	(41.7)	(39.9)	
Interest income - related party	—	138.5	145.1	123.7	
Loss on extinguishment of debt	—	(0.7)	—	(2.6)	
Other income, net	—	0.3	1.9	0.1	
Income before provision for income taxes	6.9	142.2	193.8	143.2	
Provision for income taxes	(2.4)	(50.3)	(66.4)	(50.7)	
Net income	4.5	91.9	127.4	92.5	
Less: net loss/(income) attributable to non-controlling interests	—	5.1	(0.6)	(8.0)	
Net income attributable to CAC and Predecessor Growth Partners, respectively	\$ 4.5	\$ 97.0	\$ 126.8	\$ 84.5	
Common Stock Data					
Earnings per share - basic and diluted	\$ 0.19				
Balance Sheet Data (at period end)					
Total assets	\$ 1,147.6		\$ 1,738.9	\$ 1,380.9	
Total debt ⁽¹⁾	—		554.3	585.3	
Equity	1,145.7		907.9	641.5	

⁽¹⁾Total debt is comprised of long-term debt, debt to related party and convertible notes issued to related party.

The following table presents financial data of Caesars Growth Partners, LLC for the period subsequent to the Transactions. The financial data of CGP LLC should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations , and the audited financial statements and related notes of CGP LLC included in Exhibit 99.1 of this Annual Report on Form 10-K pursuant to Rule 3-09 of Regulation S-X.

<u>(In millions)</u>	Caesars Growth Partners, LLC			
	October 22 Through December 31, 2013			
Statement of Operations				
Revenues				
Interactive Entertainment	\$	74.0		
Casino Properties and Developments		67.7		
Net revenues		<u>141.7</u>		
Operating expenses				
Interactive Entertainment - Direct		22.3		
Casino Properties and Developments - Direct		29.0		
Property, general, administrative and other		92.5		
Depreciation and amortization		8.8		
Change in fair value of contingently issuable non-voting membership units		138.7		
Change in fair value of contingent consideration		<u>2.9</u>		
Total operating expenses		<u>294.2</u>		
Loss from operations		(152.5)		
Interest expense, net of interest capitalized		(11.9)		
Interest income - related party		35.8		
Loss on extinguishment of debt		(0.9)		
Loss before provision for income taxes		<u>(129.5)</u>		
Provision for income taxes		<u>(2.6)</u>		
Net loss		<u>(132.1)</u>		
Less: net loss attributable to non-controlling interests		4.6		
Net loss attributable to CGP LLC	\$	<u>(127.5)</u>		
Balance Sheet Data (at period end)				
Total assets	\$	3,178.5		
Total debt ⁽¹⁾		767.8		
Equity		1,794.5		

⁽¹⁾Total debt is comprised of long-term debt, debt to related party and convertible notes issued to related party.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with, and is qualified in its entirety by, the audited financial statements and the notes thereto of CAC, Predecessor Growth Partners and CGP LLC, and other financial information included elsewhere in this Form 10-K. Certain statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations are forward-looking statements. See Item 1A. Risk Factors — CAUTIONARY STATEMENT PURSUANT TO THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 of this Form 10-K.

Basis of Presentation and Discussion

CAC was incorporated under the laws of the State of Delaware on February 25, 2013 and was formed to directly own 100% of the voting membership units in CGP LLC, a joint venture between CAC and Caesars Entertainment. On October 21, 2013, the joint venture was formed between subsidiaries of Caesars Entertainment and CAC through the execution of the series of Transactions described in Note 1 — Description of Business and Summary of Significant Accounting Policies to the CAC financial statements. Following consummation of the Transactions, CAC serves as CGP LLC's managing member and sole holder of all of its outstanding voting units, and subsidiaries of Caesars Entertainment hold all of CGP LLC's outstanding non-voting units. However, based upon the structure of CGP LLC and the related economics, CGP LLC has been determined to be a variable interest entity of which Caesars Entertainment is the primary beneficiary. Therefore, CAC does not consolidate CGP LLC into its financial statements. Instead, CAC accounts for its investment in CGP LLC using a balance sheet approach to the equity method of accounting, referred to as hypothetical liquidation at book value ("HLBV") accounting.

CAC's only material asset is its membership interest in CGP LLC. The assets and entities that were acquired by or contributed to CGP LLC in connection with the Transactions (referred to in the aggregate as Predecessor Growth Partners) are considered to be the predecessor to CAC. The combined historical financial statements of Predecessor Growth Partners have been prepared on a stand-alone basis and, as the Transactions are considered to be a reorganization of entities under common control, have been derived from the historical accounting records and consolidated financial statements of Caesars Entertainment. The combined historical financial statements reflect the financial position, results of operations and cash flows of the businesses and assets contributed to or acquired by CGP LLC in the Transactions described previously as if those businesses were combined into a reporting entity for all periods presented.

In addition to the financial statements of Predecessor Growth Partners, we have also presented financial statements of CGP LLC for the period subsequent to the Transactions pursuant to Rule 3-09 of Regulation S-X, as CGP LLC represents a significant equity method investment of CAC. As the basis of presentation for all items other than income taxes, non-controlling interests and senior notes returned to Caesars Entertainment related to the subscription right restoration is the same between Predecessor Growth Partners and CGP LLC, and because we believe that the full year 2013 information compared with the full year 2012 information for CAC's investment in CGP LLC is material to investors in CAC, we have presented information for both CGP LLC and Predecessor Growth Partners in this management's discussion and analysis of financial condition and results of operations.

CAESARS ACQUISITION COMPANY

Operating Results

Income from Equity Method Investment

From October 22, 2013 through December 31, 2013, CAC recognized \$7.3 million of income before tax from the equity method investment in CGP LLC, which equals the amount of income that CAC was entitled to under its minimum guaranteed return.

Other Expenses

In addition to its income from equity method investment, CAC incurred direct expenses of \$0.4 million primarily related to general liability insurance and licenses and fees.

Provision for income taxes

The provision for income taxes for the period presented of \$2.4 million is approximately the same as the expected federal tax rate of 35% applied to CAC's pre-tax income, as there are no material items impacting the federal tax provision for the period presented.

Liquidity and Capital Resources

On October 21, 2013 the equity of CAC was made available via a subscription Rights Offering to the shareholders of Caesars Entertainment as of October 17, 2013, and affiliates of Apollo and affiliates of TPG. They exercised their basic subscription rights in full to purchase \$457.8 million worth of CAC's Class A common stock at a price of \$8.64 per whole share. The closing of the Rights Offering for subscription rights not previously exercised by the Sponsors, and for any over-subscription privileges including over-subscription rights exercised by the Sponsors, occurred on November 18, 2013. CAC received aggregate gross proceeds from the Rights Offering of approximately \$1,173.1 million. CAC used the proceeds to purchase 100% of the voting units of CGP LLC.

Capital Spending

CAC is not expected to incur material capital expenditures in the normal course of business or to pursue acquisition opportunities other than through CGP LLC. See " Liquidity and Capital Resources " for CGP LLC and Predecessor Growth Partners.

Capital Resources

CAC's sole source of funds is the proceeds received from the equity offering and distributions from CGP LLC. To the extent that CAC requires additional funds, CAC may borrow funds or issue additional equity. However, as CAC does not have operations of its own, it is expected that CAC will not have a significant need for additional liquidity.

CAC's expenses incurred in the normal course of business, most significantly income tax obligations, are expected to be paid by CGP LLC on behalf of CAC. These transactions are generally accounted for as distributions from CGP LLC to CAC.

Liquidity

Pursuant to the certificate of incorporation of CAC and the CGP Operating Agreement, after October 21, 2016, Caesars Entertainment and/or its subsidiaries will have the right, which it may assign to any of its affiliates or to any transferee of all non-voting units of CGP LLC held by subsidiaries of Caesars Entertainment, to acquire all or a portion of the voting units of CGP LLC (or, at the election of CAC, shares of CAC's Class A common stock) not otherwise owned by Caesars Entertainment and/or its subsidiaries at such time.

Following October 21, 2018 and until April 21, 2022, our Board will have the right to cause a liquidation of CGP LLC, including the sale or winding up of CGP LLC, or other monetization of all of its assets and the distribution of the proceeds remaining after satisfaction of all liabilities of CGP LLC to the holders of CGP LLC's units according to the waterfall described below. On April 21, 2022 (unless otherwise agreed by Caesars Entertainment and CAC), if our Board has not previously exercised its liquidation right, the CGP Operating Agreement provides that CGP LLC shall, and our Board shall cause CGP LLC to, effect a liquidation. The conditions upon which the call right may be exercised, the distribution waterfall for net cash and other assets upon a liquidation, and other information related to the potential liquidation are further discussed in Note 4 — Stockholders' Equity and Income Per Share to the CAC financial statements included in Item 8 of this report.

Off- Balance Sheet Arrangements

CAC did not have any off-balance sheet arrangements at December 31, 2013.

Critical Accounting Policies and Estimates

We prepare our financial statements in conformity with Generally Accepted Accounting Principles ("GAAP").

Certain of our accounting policies require that we apply significant judgment in defining the appropriate assumptions for calculating financial estimates. By their nature, these judgments will be subject to an inherent degree of uncertainty. Our judgments will be based upon the historical experience of Caesars Entertainment, terms of existing contracts, observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. Actual results may differ from our estimates. For a summary of our significant accounting policies, please refer to Note 1 — Description of Business and Summary of Significant Accounting Policies in the notes to our audited financial statements included in Item 8 of this Annual Report.

We consider accounting estimates to be critical accounting policies when:

- the estimates involve matters that are highly uncertain at the time the accounting estimate is made; and
- different estimates or changes to estimates could have a material impact on the reported financial position, changes in financial position or results of operations.

When more than one accounting principle, or method of its application, is generally accepted, we select the principle or method that we

consider to be the most appropriate when given the specific circumstances. Application of these accounting

principles requires us to make estimates about the future resolution of existing uncertainties. Due to the inherent uncertainty involving estimates, actual results reported in the future may differ from those estimates.

We are an emerging growth company as defined in the JOBS Act. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards such that an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to delay such adoption of new or revised accounting standards, and as a result, we may not comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. As a result, our financial statements may not be comparable to the financial statements of other public companies. We may take advantage of these reporting exemptions until we are no longer an emerging growth company.

Consolidation

We consolidate into our financial statements the accounts of any variable interest entity for which we are determined to be the primary beneficiary. We analyze our variable interests to determine if the entity that is party to the variable interest is a variable interest entity in accordance with GAAP. This analysis requires significant judgment on the part of management, and any changes to that judgment could result in reaching a different consolidation conclusion. Our analysis includes both quantitative and qualitative reviews. Quantitative analysis is based on the forecasted cash flows of the entity. Qualitative analysis is based on our review of the design of the entity, its organizational structure including decision-making ability, and financial agreements.

Because the equity holders in CGP LLC receive returns disproportionate to their voting interests and substantially all the activities of CGP LLC are related to Caesars Entertainment, CGP LLC has been determined to be a variable interest entity. Additionally, while CAC is the sole voting member of CGP LLC, CAC is not deemed to be the primary beneficiary of CGP LLC, and therefore we do not consolidate CGP LLC into our financial statements.

We also consolidate into our financial statements the accounts of any wholly-owned subsidiaries and any partially-owned subsidiaries that are not deemed to be variable interest entities and for which we have the ability to control. Control generally equates to ownership percentage, whereby investments that are more than 50% owned are consolidated, investments in affiliates of 50% or less but greater than 20% are generally accounted for using the equity method, and investments in affiliates of 20% or less are accounted for using the cost method. At December 31, 2013, we have no consolidated subsidiaries.

Impairment of Equity Method Investments

CAC's sole material asset is its investment in CGP LLC. We review this investment quarterly for indicators of other-than-temporary impairment. This determination requires significant judgment. In making this judgment, we consider available quantitative and qualitative evidence in evaluating potential impairment of this investment. If the carrying value of our investment exceeds its estimated fair value, we evaluate, among other factors, general market conditions, the duration and extent to which the estimated fair value is less than our carrying value, and our intent and ability to hold, or plans to sell, the investment. We also consider specific adverse conditions related to the financial health of and business outlook for the investee, CGP LLC, including industry and sector performance, changes in technology, and operational and financing cash flow factors. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded and a new carrying basis in the investment will be established.

Income Taxes

We record income taxes under the asset and liability method, whereby deferred tax assets and liabilities are recognized based on the expected future tax consequences of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and attributable to operating loss and tax credit carryforwards. We reduce the carrying amounts of deferred tax assets by a valuation allowance if, based on the available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically based on the more likely than not realization threshold. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, our experience and the experience of Caesars Entertainment with operating loss and tax credit carryforwards not expiring unused and tax planning alternatives.

The effect on the income tax provision and deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Recent Accounting Pronouncements

We have assessed recently issued guidance by the FASB and have determined there are no recently issued accounting pronouncements that will have a material impact on our financial position or results of operations.

CAESARS GROWTH PARTNERS, LLC AND PREDECESSOR GROWTH PARTNERS

Overview

CGP LLC used a portion of the cash proceeds from its October 21, 2013 sale of voting units to CAC to purchase from Caesars Entertainment (i) the equity interests of PHWLV, LLC ("PHWLV"), which holds the Planet Hollywood Resort & Casino in Las Vegas ("Planet Hollywood"); (ii) its equity interest in the Caesars Baltimore Investment Company, LLC ("CBIC") the "Maryland Joint Venture", which is the entity that indirectly holds interests in Horseshoe Baltimore casino in Maryland ("Horseshoe Baltimore"), and (iii) a 50% interest in the management fee revenues of PHW Manager, LLC, which manages Planet Hollywood, and of Caesars Baltimore Management Company LLC, which holds a management agreement to manage Horseshoe Baltimore. We refer to these transactions as the "Purchase Transaction" and the acquired net assets the "Purchased Assets." The Purchase Transaction is deemed to be a reorganization of entities under common control. Therefore, CGP LLC has accounted for the Purchase Transaction using the historical carrying values of the Purchased Assets.

Also on October 21, 2013, Caesars Entertainment contributed to CGP LLC, in exchange for non-voting units, (i) Caesars' equity interests in CIE, representing approximately 90.2% of the total issued and outstanding shares of CIE prior to giving effect to any options or warrants that are exercisable and (ii) approximately \$1.1 billion in aggregate principal amount of the CEOC Notes. CGP LLC refers to these transactions as the "Contribution Transaction" and these assets as the "Contributed Assets." The Contribution Transaction is deemed to be a reorganization of entities under common control. Therefore, CGP LLC has accounted for the Contribution Transaction using the historical carrying values of the Contributed Assets. CGP LLC's equity interests of 90.2% will be reduced in June 2014 to approximately 84.5% upon conversion of the \$47.7 million convertible promissory note issued by CIE to Rock Gaming LLC ("Rock Gaming") (subject to required regulatory approval), in each case not giving effect to any options, warrants, restricted stock units and restricted stock.

Pursuant to the terms of the Transactions, as defined below, CGP LLC is obligated to issue additional non-voting membership units to Caesars Entertainment to the extent that the earnings from CIE's social and mobile games business exceeds a specified threshold amount in 2015. The number of units to be issued is capped at a value of \$225 million divided by the fair value of the non-voting units at the date of the Transactions.

In connection with the Transactions, as defined below, the aggregate fair market value of the subscription rights issued by Caesars Entertainment in the amount of approximately \$21.1 million was restored to Caesars Entertainment through a return of all 10.75% paid-in kind senior notes and certain 5.75% senior notes previously issued by CEOC from CGP LLC to CEC.

In connection with the Purchase Transaction and the Contribution Transaction, CGP LLC entered into agreements with Caesars Entertainment and its subsidiaries to provide certain corporate shared services and back-office support and business advisory services to CAC and CGP LLC and its subsidiaries. We refer to the Purchase Transaction, Contribution Transaction and the entering into such agreements collectively as the "Transactions." In addition, CGP LLC reimbursed Caesars Entertainment and CAC for certain fees and expenses incurred in connection with the Transactions, and will use the remainder of the proceeds from the sale of voting units to CAC for general corporate purposes, including making strategic investments.

For financial reporting purposes, CGP LLC has two reportable segments: (1) Interactive Entertainment and (2) Casino Properties and Developments. CGP LLC's Interactive Entertainment segment consists of CIE, which is comprised of three distinct, but complementary businesses that reinforce, cross-promote and build upon each other: social and mobile games, the WSOP and regulated online real money gaming. CGP LLC's Casino Properties and Developments segment consists of Planet Hollywood and the Maryland Joint Venture. The Horseshoe Baltimore is under construction and is expected to open in the third quarter of 2014. Therefore, the results of operations for Horseshoe Baltimore are primarily comprised of pre-opening and financing-related activities.

See Note 19 — Subsequent Events of the CGP LLC financial statements in Exhibit 99.1 for information regarding significant transactions in 2014 related to each of our segments.

Performance Metrics — Interactive Entertainment Social and Mobile Games

For 2013, the CIE business generated 95.6% of its revenues from its social and mobile games business. CIE measures the performance of its social and mobile games business by using several key financial metrics, including revenue, and operating metrics, including Daily Active Users, Monthly Active Users, Monthly Unique Users, Average Revenue per User and Monthly Unique Payers, each as described below. These operating metrics help CIE to understand and measure the engagement levels of its players, the size of its audience and its reach.

In December 2012, CIE consummated the acquisition of substantially all of the assets of Buffalo Studios, a social and mobile games developer based in Santa Monica, California. Aggregate cash consideration paid for this acquisition was \$45.2 million , excluding amounts payable in 2014 resulting from contingent consideration.

In May 2013, CIE acquired the *World Series of Poker* social and mobile game assets and intellectual property from Electronic Arts, Inc. In August 2013, CIE acquired an online game development business based in the Ukraine and in October 2013, CIE acquired the workforce, assets and intellectual property of an online gaming development group. Assets acquired and liabilities assumed in these transactions were not material to the financial statements of Predecessor Growth Partners or CGP LLC.

Daily Active Users. CIE defines Daily Active Users ("DAU") as the number of individuals who played one of its games during a particular day on a particular platform. Under this metric, an individual who plays two different games on the same day is counted as two Daily Active Users. Similarly, an individual who plays the same game on two different platforms (e.g., web and mobile) or on two different social networks on the same day would be counted as two Daily Active Users. Average Daily Active Users for a particular period is the average of the Daily Active Users for each day during that period. CIE uses Daily Active Users as a measure of audience engagement.

Monthly Active Users. CIE defines Monthly Active Users ("MAU") as the number of individuals who played a particular game in the 30-day period ending with the measurement date on a particular platform. Under this metric, an individual who plays two different games in the same 30-day period is counted as two Monthly Active Users. Similarly, an individual who plays the same game on two different platforms (e.g., web and mobile) or on two different social networks in a 30-day period would be counted as two Monthly Active Users. Average Monthly Active Users for a particular period is the average of the Monthly Active Users at each month-end during that period. CIE uses Monthly Active Users as a measure of total game audience size.

Monthly Unique Users. CIE defines Monthly Unique Users ("MUU") as the number of unique individuals who played any of its games on a particular platform in the 30-day period ending with the measurement date. An individual who plays more than one of CIE's games in a given 30-day period would be counted as a single monthly unique user. However, because CIE cannot always distinguish unique individuals playing across multiple platforms, an individual who plays any of its games on two different platforms (e.g., web and mobile) in a given 30-day period may be counted as two Monthly Unique Users in the event that CIE does not have data that allows it to identify and separate the player. Because many of CIE's players play more than one game in a given 30-day period, Monthly Unique Users are always lower than Monthly Active Users in any given time period. Average Monthly Unique Users for a particular period is the average of the Monthly Unique Users at each month-end during that period. CIE tracks Monthly Unique Users as a measure of total audience reach across its network of games.

Average Revenue per User. CIE defines Average Revenue per User ("ARPU") as (i) the total revenue in a given period, (ii) divided by the number of days in that period, (iii) divided by the average Daily Active Users during the period. CIE believes that Average Revenue per User provides useful information to investors and others in understanding and evaluating its results in the same manner as the Company's management and Board of Directors. CIE uses Average Revenue per User as a measure of overall monetization across all of its players through the sale of virtual goods.

Monthly Unique Payers. CIE defines Monthly Unique Payers ("MUP") as the number of unique individuals who purchased virtual currency in any of its games on a particular platform in the 30-day period ending with the measurement date. An individual who makes multiple purchases of virtual currency on more than one of CIE's games on a particular platform in a given 30-day period would be counted as a single Monthly Unique Payer. However, because CIE cannot always distinguish unique individuals purchasing virtual currency across multiple platforms, an individual who makes a purchase of virtual currency on any of CIE's games on two different platforms (e.g., web and mobile) in a given 30-day period may be counted as two Monthly Unique Payers in the event that CIE does not have data that allows it to identify and separate the paying user. Average Monthly Unique Payers for a particular period is the average of the Monthly Unique Payers at each month-end during that period. CIE uses Monthly Unique Payers as a measure of monetization across all of its players through the sale of virtual goods.

The table below shows the results of CIE's social and mobile games business, using the financial and operating metrics described above, for the periods indicated. Revenues are presented in millions of dollars, user statistics are presented in thousands of users, and average revenues per user is presented in dollars.

	Year Ended December 31,		
	2013 ⁽²⁾	2012 ⁽¹⁾	2011 ⁽¹⁾
Total Revenues ⁽²⁾	\$ 302.7	\$ 193.3	\$ 53.9
Web ⁽²⁾	\$ 156.9	\$ 108.2	\$ 51.1
Mobile ⁽²⁾	\$ 145.8	\$ 85.1	\$ 2.8
Average DAUs	4,913	4,727	1,964
Web	2,673	3,496	1,954
Mobile	2,240	1,231	10
Average MAUs	16,731	17,263	7,185
Web	9,082	12,583	7,118
Mobile	7,649	4,680	67
Average MUUS	14,879	12,883	N/A
Average MUPs	203	192	75
ARPU	\$ 0.17	\$ 0.14	\$ 0.10
Web	\$ 0.16	\$ 0.11	\$ 0.10
Mobile	\$ 0.18	\$ 0.22	\$ 0.19

⁽¹⁾Operating metrics include numbers from Playtika prior to CIE's May 2011 acquisition of Playtika and from Buffalo Studios prior to its December 2012 acquisition by CIE.

⁽²⁾Metrics for 2013 present the aggregate of Predecessor Growth Partners for the period from January 1 through October 21, 2013, and for CGP LLC for the period from October 22 through December 31, 2013 in order for the 2013 metrics to be comparable to 2012.

Consistent with the social and mobile business model, only a small portion of CIE's social and mobile games players pay for virtual goods. During 2013, CIE's social and mobile games business had approximately 203 thousand average Monthly Unique Payers, or 1.4% of the total number of average Monthly Unique Users on the social and mobile platforms during this period, purchase virtual goods. Because the opportunity for social interactions and player generated promotion through playing platforms increases as the overall number of players increases, CIE believes that maintaining and growing its total number of players, including the number of players who may not purchase virtual goods, is important to the success of its business. The sale of virtual goods, however, constitutes the primary source of revenue for CIE's social and mobile games business. The degree to which game players choose to pay for virtual goods in the games is driven by CIE's ability to create content that enhances the game-play experience. CIE's revenue and overall financial performance are affected by the number of players and the effectiveness of its monetization of players through the sale of virtual goods.

CIE's user metrics are impacted by several factors that cause them to fluctuate on a quarterly basis. Growth in the performance metrics is largely attributable to growth of the *Slotomania* and *Bingo Blitz* games on mobile platforms and increased popularity of the *Caesars Casino* game, combined with effective marketing efforts and new content. Future growth in audience and engagement will depend on CIE's ability to retain current players, attract new players, launch new games and expand into new markets and distribution platforms. Overall, CIE expects average revenue per user to be slightly higher on the mobile platforms based upon the relative ease of the tablet payment process and the overall user demographics of tablet users, when compared to the purchase process and user demographics of web platforms.

The table below shows the revenue generated from CIE's social and mobile games business by geographic region for the periods listed and assumes that deferred revenues are spread proportionately across all geographies.

<u>(In millions)</u>	CGP LLC		Predecessor Growth Partners		
	October 22 Through December 31, 2013	January 1 Through October 21, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011	
North America	\$ 47.0	\$ 154.5	\$ 111.2	\$ 30.9	
South America	0.5	1.7	1.2	0.2	
Europe	6.5	20.0	26.4	7.3	
Asia/Pacific	16.1	55.3	53.9	15.3	
Africa and Rest of the World	0.3	0.8	0.6	0.2	
	<u>\$ 70.4</u>	<u>\$ 232.3</u>	<u>\$ 193.3</u>	<u>\$ 53.9</u>	

Consolidated Operating Results of CGP LLC and Predecessor Growth Partners

<u>(In millions)</u>	CGP LLC		Predecessor Growth Partners		
	October 22 Through December 31, 2013	January 1 Through October 21, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011	
Revenues	\$ 141.7	\$ 512.8	\$ 511.4	\$ 372.7	
(Loss)/income from operations	(152.5)	43.8	88.5	61.9	
Adjusted Segment EBITDA ⁽¹⁾	34.9	145.9	145.3	102.3	

⁽¹⁾See " Reconciliations of Adjusted Segment EBITDA to Net Income " for a reconciliation of Adjusted Segment Earnings before Interest Income/Expense, Income Taxes, Depreciation and Amortization ("EBITDA") to net (loss)/income.

Revenues for 2013 increased by \$143.1 million or 28.0% compared with 2012, driven by the December 2012 acquisition of substantially all of the net assets of Buffalo Studios in the Interactive Entertainment segment, and by increased food and beverage revenues within the Casino Properties and Developments segment. Loss from operations for 2013 was \$108.7 million as compared to income from operations of \$88.5 million for 2012 driven by a charge of \$138.7 million related to an increase in the estimated fair value of contingently issuable non-voting membership units to be issued to Caesars Entertainment pursuant to the terms of the Transactions, a charge of \$52.9 million related to an increase in the value of the contingent consideration for the acquisition of Buffalo Studios and an increase in platform fees of \$32.2 million associated with the increase in revenues of CIE's social and mobile games. These adverse impacts on income from operations were partially offset by the income impact of increased revenues associated with a newly branded restaurant and increased banquet business at Planet Hollywood. Adjusted Segment EBITDA increased \$35.5 million or 24.4% in 2013 as compared with 2012, driven by the increase in revenues offset by an increase in platform fees and research and development expenses.

Revenues of Predecessor Growth Partners for 2012 increased by \$138.7 million when compared with 2011, driven by the 2011 acquisition of Playtika in the Interactive Entertainment segment. Income from operations for 2012 increased by \$26.6 million when compared with 2011, comprised of an increase in income from operations in the Interactive Entertainment segment resulting from the 2011 acquisition of Playtika, partially offset by a decrease in income from operations in the Casino Properties and Developments segment resulting from increased direct expenses of operations and from development costs associated with the Maryland Joint Venture. Adjusted Segment EBITDA increased \$43.0 million or 42.0% in 2012 as compared with 2011 driven by our Interactive Entertainment segment, primarily due to an increase in revenues offset by an increase in platform fee and general, administrative and other expenses.

Reportable Segments Operating Results

Interactive Entertainment

(In millions)	CGP LLC		Predecessor Growth Partners		
	October 22 Through		January 1 Through October 21, 2013	Year Ended	Year Ended December 31, 2011
	December 31, 2013			December 31, 2012	
Revenues	\$ 74.0		\$ 242.6	\$ 207.7	\$ 66.5
(Loss)/income from operations		(6.1)	(1.3)	50.0	12.0
Adjusted Segment EBITDA ⁽¹⁾	18.7		78.4	76.2	27.8

⁽¹⁾ See " Reconciliations of Adjusted Segment EBITDA to Net Income " for a reconciliation of Adjusted Segment EBITDA to net (loss)/income.

Interactive Entertainment revenues increased by \$108.9 million for 2013 compared to 2012, as a result of a combination of the December 2012 acquisition of Buffalo Studios and growth in the Playtika business. Loss from operations for 2013 was \$7.4 million , compared with income from operations for 2012 of \$50.0 million . The decrease was driven by a charge of \$52.9 million related to contingent consideration for the acquisition of Buffalo Studios. Absent this charge, income from operations for 2013 would have decreased by \$4.5 million when compared with 2012, primarily attributable to an increase in stock-based compensation expense of \$19.6 million , increased research and development expenses of \$15.3 million as a result of the acquisition of Buffalo Studios and increased marketing and sales expenses of \$28.0 million associated with the September 2013 launch of online poker in Nevada and the November 2013 launch of online gaming in New Jersey. These increased costs were largely offset by the income impact of the acquisition of Buffalo Studios. Adjusted Segment EBITDA increased in 2013 as compared with 2012 driven by the increase in revenues, partially offset by an increase in platform fees, research and development and marketing and sales expenses.

Interactive Entertainment revenues increased by \$141.2 million for 2012 compared to 2011, primarily as a result of the May 2011 acquisition of a controlling interest in Playtika. The increase in 2012 is attributable to significant growth in the underlying Playtika business, combined with a full year of consolidated financial results of Playtika, as Playtika was first consolidated upon its acquisition in May 2011.

The acquisition of Playtika resulted in the recording of increased platform fees in 2012 when compared with 2011, shown as direct expenses of the Interactive Entertainment segment. Predecessor Growth Partners also recorded increased levels of research and development expenses as a result of the Playtika acquisition, and recorded increased stock compensation expense in 2012 when compared with 2011, both of which are included within Property, general, administrative and other expenses within the Statement of Operations.

Income from operations for Interactive Entertainment improved to \$50.0 million in 2012 from \$12.0 million for 2011. This improvement in income from operations was primarily related to inclusion of a full year of Playtika's financial results in 2012 compared with the partial year in 2011, combined with the income impact of increased revenues from the Playtika business. Adjusted Segment EBITDA increased in 2012 as compared with 2011 driven by the increase in revenues partially offset by an increase in platform fees and research and development expenses.

Casino Properties and Developments

(In millions)	CGP LLC		Predecessor Growth Partners		
	October 22 Through		January 1 Through October 21, 2013	Year Ended	Year Ended December 31, 2011
	December 31, 2013			December 31, 2012	
Revenues	\$ 67.7		\$ 270.2	\$ 303.7	\$ 306.2
Income from operations		9.0	45.1	38.5	49.9
Adjusted Segment EBITDA ⁽¹⁾	16.2		67.5	69.1	74.5

⁽¹⁾ See " Reconciliations of Adjusted Segment EBITDA to Net Income " for a reconciliation of Adjusted Segment EBITDA to net (loss)/income.

Performance of the Casino Properties and Developments segment is measured in part through tracking of trips by rated customers, which means a customer whose gaming activity is tracked through Caesars Entertainment's Total Rewards system, referred to as "trips," and spend per rated customer trip, referred to as "spend per trip." A trip is created by a Total Rewards card holder engaging in one or more of the following activities while at our property: (1) hotel stay, (2) gaming activity or (3) a comp

redemption, which means the receipt of a complimentary item given out by their casino. Lodgers are guests registered with the total rewards program who stay at our property and Non-lodgers are guests registered with the total rewards program not staying at the property. Customer spend means the cumulative rated theoretical spend (which is the amount of money expected to be retained by the casino based upon the mathematics underlying the particular game as a fraction of the amount of money wagered by the customer) across all game types for a specific customer. The average combined gross hold is the percentage of the amount wagered across all game types (including table games and slot machines) that the casino retained.

Casino Properties and Developments net revenues for 2013 increased by \$34.2 million when compared with 2012. The increase was driven by increases in both trips and spend per tip. For 2013, total rated trips increased by approximately 1.1% from 2012, driven by a 3.7% increase in rated trips by non-lodgers. Total spend per trip increased 5.4% in 2013 when compared with 2012, driven by increases in spend per trip from both lodgers and non-lodgers. Gross casino hold decreased slightly from 11.8% in 2012 to 11.7% in 2013.

Cash average daily room rates for 2013 increased to \$112, or approximately 7.7%, when compared to \$104 in 2012, primarily resulting from the introduction of resort fees. Average daily occupancy was 93.9% in 2012 and 93.6% in 2013. Revenue per available room ("RevPar") for 2013 and 2012 was \$107 and \$100, respectively.

Food and beverage revenues for 2013 and 2012 were \$86.3 million and \$69.7 million, respectively. The 2013 increase in revenues as well as income from operations and adjusted segment EBITDA was driven largely by the opening of Gordon Ramsay BurGR restaurant which generated \$14.9 million of revenue in 2013, combined with increased banquet business.

Casino Properties and Developments net revenues were down slightly in 2012 when compared with 2011. Total trips decreased in 2012 when compared with 2011 driven by a reduction in trips by non-lodgers, partially offset by an increase in trips by lodgers. Despite a reduction in total trips, total spend per trip increased, driven by the increase in spend per trip by the non-lodger customer segment. In addition, average combined hold increased to 11.8% in 2012 from 10.3% in 2011. Cash average daily room rates for 2012 for Planet Hollywood slightly decreased to \$104 from \$105, or approximately one percent, when compared to 2011. Total occupancy percentages decreased two percentage points from an average daily occupancy of 95.9% in 2011 to 93.9% in 2012. RevPar was \$102 in 2011, decreasing to \$100 in 2012.

Food and beverage revenues for 2012 were \$69.7 million, a slight increase from \$68.4 million in 2011.

Income from operations and adjusted segment EBITDA decreased in 2012 when compared with 2011 due to the income impact of reduced revenues at Planet Hollywood, a modest increase in direct expenses of operating the Planet Hollywood facility including Casino expenses and Food and Beverage costs, and the incurrence of development costs in 2012 for the Horseshoe Baltimore without any corresponding amounts recorded in 2011.

Incentives are often provided for customers to stay and play at our properties. Incentives are provided to customers based on a number of factors such as marketing plans, competitive factors, economic conditions, and regulations. These incentives come in a variety of different forms including free and discounted product, gaming credits, food and beverage, hotel room credits, and other forms. The retail value of accommodations, food and beverage, and other services furnished to casino guests is included in gross revenue and then deducted as promotional allowances. Hence, net revenues as discussed above include all promotional allowances. CGP LLC believes their allocation of promotional allowances to be within industry standards and appropriate for the Planet Hollywood brand and competitive environment.

Other Factors Affecting Net Income

<u>(In millions)</u>	CGP LLC		Predecessor Growth Partners		
	October 22 Through December 31, 2013		January 1 Through October 21, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
	\$	(11.9)			
Interest expense, net of interest capitalized	\$	(11.9)	\$ (39.7)	\$ (41.7)	\$ (39.9)
Interest income - related party		35.8	138.5	145.1	123.7
Loss on early extinguishment of debt		(0.9)	(0.7)	—	(2.6)
Other income/(expense), net		—	0.3	1.9	0.1
Provision for income taxes ⁽¹⁾		(2.6)	(50.3)	(66.4)	(50.7)
Net loss/(income) attributed to non-controlling interests ⁽²⁾		4.6	5.1	(0.6)	(8.0)

⁽¹⁾ CGP LLC's provision for income taxes represents the income taxes from its corporate subsidiary, CIE, which was taxed as a corporation for federal, state and foreign income purposes. CGP LLC does not record a tax provision for its Casino Properties and Developments segment as all entities within this segment are pass-through entities for income tax purposes. Predecessor Growth Partners' income taxes represent the allocated income taxes from the consolidated Caesars Entertainment provision for income taxes as if Predecessor Growth Partners filed separate U.S. federal, state and foreign income tax returns, and does not recognize the pass-through entity structure of CGP LLC.

⁽²⁾ CGP LLC's non-controlling interest reflects the non-controlling interest associated with consolidating CIE into CGP LLC. As the financial statements of Predecessor Growth Partners were prepared on a combined basis rather than a consolidated basis, the non-controlling interest associated with CIE is not included within the financial statements of Predecessor Growth Partners.

Interest expense, net of interest capitalized

CIE borrowed funds from Caesars Entertainment in May 2011 and December 2011 to fund the original acquisition of Playtika and the subsequent purchase of the remaining minority interest in Playtika, respectively. Throughout 2012, CIE made payments of principal on this related party debt. In December 2012, funds were again borrowed from Caesars Entertainment to fund the acquisition of substantially all of the assets of Buffalo Studios. The average balance owed to Caesars Entertainment for 2013 was lower than the average balance in 2012, resulting in interest expense, net of interest capitalized, of \$2.2 million and \$4.1 million for 2013 and 2012, respectively. The average balance owed to Caesars Entertainment for 2012 was greater than 2011 which was \$2.1 million.

Interest expense associated with the Planet Hollywood secured loan increased from \$36.8 million in 2011, to \$37.5 million in 2012, and increased again to \$39.3 million in 2013. Increases to the expense resulted from increased amortization of debt discount.

In July 2013, CBAC Borrower entered into the Baltimore Credit Facility. Interest expense associated with this facility was \$11.4 million in 2013.

Interest expense associated with contingent consideration and capital lease obligations was not material to any period presented.

Interest income-related party

CGP LLC receives interest income on its portfolio of approximately \$1.1 billion of aggregate principal amount of CEOC Notes. The CEOC Notes have fixed interest rates ranging from 5.625% to 6.50% and maturities ranging from 2015 to 2017. The increase in interest income in 2013 when compared with 2012, and in 2012 when compared with 2011, is primarily the result of increased accretion of discount originally recorded as a result of purchasing the senior notes at market prices significantly below face value.

Loss on early extinguishment of debt

The Planet Hollywood secured loan contains excess cash flow provisions which require mandatory prepayment of debt when certain conditions are met. The mandatory prepayments made in 2013 and 2011 resulted in the recognition of loan discount write-offs of \$1.6 million and \$2.6 million, respectively. The mandatory prepayments made during 2012 did not result in a material impact on the accompanying financial statements.

Other income/(expense), net

Other income/(expense), net for 2013 and for 2011 was not material to the respective periods. Other income for 2012 consists of \$0.6 million in foreign exchange gain resulting from our Playtika operations based in Israel, \$0.8 million in income received from a third-party in connection with our joint agreement to promote, advocate and support the enactment of a California online poker law, and a \$0.5 million gain resulting from the fair value measurement of a warrant granted to Rock Gaming for the purchase of CIE's common stock.

Provision for income taxes

CGP LLC

The provision for income taxes for CGP LLC represents the income taxes from its corporate subsidiary, CIE, which was taxed as a corporation for federal, state and foreign income tax purposes. The provision for income taxes for CGP LLC differs from the expected federal tax rate of 35% primarily due to CGP LLC income not taxed.

No provision for income taxes is reported for the Casino Properties and Developments segment of CGP LLC as this segment is taxed as a partnership for federal and state income tax purposes whereby any income or losses were allocated to the CGP LLC Members and taxed by each Member.

Predecessor Growth Partners

The provision for income taxes represent the allocated income taxes from the consolidated Caesars Entertainment provision for income taxes as if Predecessor Growth Partners filed separate U.S. federal, state, and foreign income tax returns. The provision for income taxes for the periods presented differ from expected federal tax rate of 35% primarily due to tax benefits from foreign operations partially offset by nondeductible stock-based compensation and nondeductible expenses including lobbying expenditures and professional fees.

The effective tax rate for the period from January 1 through October 21, 2013 and for the year ended December 31, 2012 was 35.3% and 34.3% respectively. The increase in the effective tax rate for 2013 is primarily due to an increase in the federal valuation allowance in Predecessor Growth Partners' subsidiary, CIE, partially offset by an increase in tax benefit from foreign income taxed at lower rates than the U.S.

Net loss/(income) attributed to non-controlling interests

CGP LLC

CGP LLC's non-controlling interest reflects the non-controlling interest associated with consolidating CIE into CGP LLC. As the financial statements of Predecessor Growth Partners were prepared on a combined basis rather than a consolidated basis, the non-controlling interest associated with CIE is not included within the financial statements of Predecessor Growth Partners. For the period from October 22 through December 31, 2013, net loss of \$3.7 million and \$0.9 million were attributable to non-controlling interests in the Maryland Joint Venture and CIE, respectively.

Predecessor Growth Partners

As a result of the acquisition of a 51% controlling equity interest in Playtika in May 2011, CIE began consolidating the results of Playtika subsequent to the acquisition date, recording net income attributed to non-controlling interest of \$8.0 million for the 49% equity interest not owned during that period. CIE acquired the remaining 49% equity interest in Playtika in December 2011. For 2012, non-controlling interests was largely attributable to the Maryland Joint Venture. For the period from January 1 through October 21, 2013, net loss attributed to non-controlling interests related to losses in the Maryland Joint Venture was \$5.1 million .

Reconciliations of Adjusted Segment EBITDA to Net Income

Management uses Adjusted Segment EBITDA as a supplemental measure of performance. EBITDA is comprised of net income before (1) interest expense, net of capitalized interest, (2) interest income, (3) provision for income taxes, and (4) depreciation and amortization expense. Adjusted Segment EBITDA is comprised of EBITDA, further adjusted for certain items that CGP LLC does not consider indicative of its ongoing operating performance.

Adjusted Segment EBITDA, as calculated in this Form 10-K, may not be comparable to similarly titled measures reported by other companies within the industry. In evaluating Adjusted Segment EBITDA, you should be aware that in the future CGP LLC may incur expenses that are the same or similar to some of the adjustments in this presentation. CGP LLC's presentation of Adjusted Segment EBITDA should not be construed as an inference that its future results will be unaffected by unusual or unexpected items.

Adjusted Segment EBITDA is a non-GAAP financial measure commonly used in the interactive entertainment and gaming industries and should not be construed as an alternative to net income/(loss) as an indicator of operating performance or as an alternative to cash flow provided by operating activities as a measure of liquidity as determined in accordance with GAAP. We have included the Adjusted Segment EBITDA of CGP LLC because CGP LLC's management uses Adjusted Segment EBITDA to measure performance and allocate resources, and we believe that Adjusted Segment EBITDA provides potential indirect investors in CGP LLC, through direct investment in CAC, with additional information consistent with that used by the management of CGP LLC.

<u>(In millions)</u>	CGP LLC		Predecessor Growth Partners		
	October 22 Through December 31, 2013	January 1 Through October 21, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011	
Adjusted Segment EBITDA					
Interactive Entertainment	\$ 18.7	\$ 78.4	\$ 76.2	\$ 27.8	
Casino Properties and Developments	16.2	67.5	69.1	74.5	
	34.9	145.9	145.3	102.3	
Reconciliation					
Stock-based compensation ^(a)	(17.8)	(13.2)	(11.4)	(10.9)	
Lobbying expense ^(b)	(0.4)	(2.3)	(3.6)	(2.9)	
Acquisition and integration costs ^(c)	(0.1)	(0.5)	(4.1)	(0.9)	
Change in fair value of contingent consideration ^(d)	(2.9)	(50.0)	—	—	
Change in fair value of contingently issuable non-voting membership units ^(e)	(138.7)	—	—	—	
Loss on early extinguishment of debt	(0.9)	(0.7)	—	(2.6)	
Write-downs, reserves, recoveries, and project opening costs ^(f)	(2.0)	(1.0)	(5.5)	1.0	
Rights offering transaction costs	(14.6)	—	—	—	
Other (expense)/income, net	—	0.3	1.9	0.1	
Other corporate	(2.1)	—	—	2.9	
EBITDA	(144.6)	78.5	122.6	89.0	
Depreciation and amortization	(8.8)	(35.1)	(32.2)	(29.6)	
Interest expense, net of interest capitalized	(11.9)	(39.7)	(41.7)	(39.9)	
Interest income - related party	35.8	138.5	145.1	123.7	
Provision for income taxes	(2.6)	(50.3)	(66.4)	(50.7)	
Net (loss)/income	\$ (132.1)	\$ 91.9	\$ 127.4	\$ 92.5	

^(a) Amounts represent non-cash stock-based compensation expense related to stock options and restricted stocks.

^(b) Amounts represent expenses incurred in the Interactive Entertainment segment in connection with active participation in lobbying efforts for the approval of online poker and internet gaming regulations, primarily in the United States.

^(c) Amounts include certain one-time costs incurred by the Interactive Entertainment segment associated primarily with the 2012 acquisition of substantially all of the assets of Buffalo Studios and the 2011 acquisition of Playtika.

^(d) This amount represents the change in fair value of contingent consideration for the acquisition of Buffalo Studios.

^(e) This amount represents the change in estimated fair value of non-voting membership units in CGP LLC to be issued to Caesars Entertainment pursuant to the terms of the Transactions.

^(f) For 2013, the amount primarily represents project opening costs related to the construction and planned casino operations of Horseshoe Baltimore. For 2012, the amount primarily represents development costs related to the construction and planned casino operations of Horseshoe Baltimore and income earned under an agreement with a time share partner, which expired in March 2012. For 2011, the amount primarily represents a legal settlement recorded by the Planet Hollywood property for a case in which Planet Hollywood was the plaintiff.

Liquidity and Capital Resources

Capital Spending

CGP LLC incurs capital expenditures in the normal course of business, performs ongoing refurbishment and maintenance at Planet Hollywood, and performs ongoing maintenance and enhancements to its social and mobile games to maintain their quality standards. Cash used for capital expenditures in the normal course of business is typically made available from cash flows generated by operating activities. CGP LLC may also pursue acquisition opportunities for additional businesses or social or mobile games that meet its strategic and return on investment criteria.

CGP LLC's planned development projects, if they go forward, will require significant capital commitments and, if completed, may result in significant additional revenues. The commitment of capital, the timing of completion, and the commencement of operations of development projects are contingent upon, among other things, negotiation of final agreements and receipt of requisite approvals from the applicable political and regulatory bodies. Excluding amounts spent for the purchases of businesses, CGP LLC's capital spending for the period from October 22, 2013 through December 31, 2013 was \$8.7 million. Predecessor Growth Partners' capital spending for the period from January 1, 2013 through October 21, 2013, and for 2012 totaled \$57.8 million and \$16.8 million, respectively. The majority of the 2013 capital spending relates to Horseshoe Baltimore.

CGP LLC's near term capital requirements for Horseshoe Baltimore are expected to be funded by the Baltimore Credit Facility, as defined and further discussed in the Capital Resources section below.

Liquidity

A subsidiary of CGP LLC has received a commitment from certain financial institutions to borrow \$2,000 million in connection with closing the transaction executed on March 1, 2014. (See Note 10, "Subsequent Events" to the CAC financial statements included in Item 8 of this report.) CGP LLC's ability to secure this financing depends on meeting the conditions to funding set forth in the commitment, as well as economic and other factors that are beyond its control.

CGP LLC's primary sources of liquidity include currently available cash and cash equivalents, cash flows generated from its operations, interest income generated from its investments in the CEOC Notes, and borrowings under CIE's credit facility with Caesars Entertainment. CGP LLC's cash and cash equivalents totaled \$976.9 million at December 31, 2013 and Predecessor Growth Partners' cash and cash equivalents totaled \$155.6 million at December 31, 2012. In addition, CGP LLC had short-term investments of \$15.0 million at December 31, 2013 and Predecessor Growth Partners had short-term investments of \$7.5 million at December 31, 2012. Payments of short-term debt obligations and other commitments are expected to be made from operating cash flows. Long-term obligations are expected to be paid through operating cash flows, refinancing of existing debt or the issuance of new debt, or, if necessary, additional investments from its equity holders. CGP LLC's operating cash inflows are used for operating expenses, debt service costs, working capital needs and capital expenditures in the normal course of business.

CGP LLC's restricted cash totaled \$260.4 million at December 31, 2013 and Predecessor Growth Partners' restricted cash totaled \$30.6 million December 31, 2012. Restricted cash and cash equivalents include amounts restricted under the terms of the Baltimore Credit Facility and Planet Hollywood debt agreement. The Planet Hollywood debt agreement requires that CGP LLC maintain certain reserves for payment of property taxes, insurance, interest and ongoing furniture, fixtures and equipment purchases, or property development. The classification between current and long-term is dependent upon the intended use of each particular reserve.

At December 31, 2013 and December 31, 2012, Caesars Interactive Entertainment had cash balances in its subsidiary located in Israel of \$24.4 million and \$16.2 million, respectively, and \$15.0 million and \$7.5 million , respectively, in short-term investments. CIE may use the cash in the Playtika subsidiary to repay debt payable to related parties, fund operations at Playtika, pursue international acquisitions or repatriate the cash to CGP LLC.

As of December 31, 2013 and December 31, 2012, CIE had \$39.8 million and \$46.8 million , respectively of book value of indebtedness outstanding and payable to Caesars Entertainment, and Planet Hollywood had \$462.5 million and \$459.7 million , respectively, of book value of indebtedness outstanding and payable to third-party lenders. In addition, at December 31, 2013 , Horseshoe Baltimore had \$217.7 million of book value of indebtedness outstanding and payable to third-party lenders. Cash paid for interest for 2013 and 2012 was \$23.8 million and \$20.9 million , respectively.

CGP LLC believes that its cash and cash equivalents balance and its cash flows from operations will be sufficient to meet its normal operating and debt service requirements during the next 12 months and the foreseeable future and to fund capital expenditures expected to be incurred in the normal course of business.

Capital Resources

CIE has entered into an unsecured credit facility with Caesars Entertainment whereby Caesars Entertainment provided to CIE unsecured intercompany loans as requested by CIE and approved by Caesars Entertainment on an individual transaction basis. No principal payments are required on the unsecured intercompany loans until their maturity date of November 29, 2016. The unsecured intercompany loans bear interest on the unpaid principal amounts at a rate per annum equal to London Inter-Bank Offered Rate ("LIBOR") plus 5%. This credit facility does not have any restrictive or affirmative covenants.

In March 2012, Rock Gaming and CIE entered into an agreement pursuant to which Rock Gaming purchased approximately 6,155 shares of CIE common stock for \$30.4 million in cash and agreed to purchase additional shares of CIE common stock on or before July 2, 2012. CIE used the proceeds from this sale to prepay a portion of the then outstanding balance on the credit facility.

In June 2012, CIE and Rock Gaming modified the agreement with Rock Gaming such that CIE issued to Rock Gaming approximately 382 shares of CIE common stock and a promissory note for \$28.5 million in exchange for \$30.4 million in cash. The promissory note is convertible into approximately 5,773 shares of CIE common stock. In November 2012, CIE issued to Rock Gaming an additional promissory note for \$19.2 million in exchange for \$19.2 million in cash. The additional promissory note is convertible into approximately 3,140 shares of CIE common stock. The ability to convert the promissory notes into shares is subject to the satisfaction of certain specified criteria in June 2014. Both promissory notes are classified as long-term in CGP LLC's Consolidated Balance Sheet at December 31, 2013 and in Predecessor Growth Partners' Combined Balance Sheet at December 31, 2012.

In connection with the acquisition of Planet Hollywood by Caesars Entertainment in 2010 and the assumption of debt, PHW Las Vegas, LLC entered into the Amended and Restated Loan Agreement (the "Planet Hollywood Loan Agreement") with

Wells Fargo Bank, N.A., as trustee for The Credit Suisse First Boston Mortgage Securities Corp. Commercial Mortgage Pass-Through Certificates, Series 2007-TFL2 ("Lender"). On October 26, 2011, Caesars exercised its option to extend the Planet Hollywood senior secured loan to 2013. On December 5, 2013 the loan maturity was again extended to April 2015. No additional options exist to extend the maturity of the loan.

The book values of outstanding debt under the Planet Hollywood Loan Agreement were \$462.5 million and \$459.7 million at December 31, 2013 and December 31, 2012, respectively, and bear interest on the unpaid principal balance at a rate per annum equal to LIBOR plus 2.859%.

CBAC, a joint venture among Caesars Baltimore Investment Company, LLC ("Caesars Baltimore"), a wholly-owned indirect subsidiary of CEOC, Rock Gaming Mothership LLC, CVPR Gaming Holdings, LLC, STRON-MD Limited Partnership and PRT Two, LLC, entered into a credit agreement on July 2, 2013 (the "Baltimore Credit Facility") to finance the acquisition of land in Baltimore, Maryland and the construction of the Horseshoe Baltimore and a parking garage (collectively, the "Baltimore Development"). The Baltimore Credit Facility provides for (i) a \$300.0 million senior secured term facility with a seven-year maturity, which is comprised of a \$225.0 million facility that was funded upon the closing of the Baltimore Credit Facility, a \$37.5 million delayed draw facility available from the closing of the Baltimore Credit Facility until July 2014 and a \$37.5 million delayed draw facility available until January 2015 and (ii) a \$10.0 million senior secured revolving facility with a five-year maturity. The Baltimore Credit Facility is secured by substantially all material assets of CBAC and its wholly-owned domestic subsidiaries. In connection with the foregoing, Caesars Baltimore and the other joint venture partners each provided, on a several and not joint basis, a completion guarantee with respect to the Baltimore Development, which guarantees completion of the construction of the Baltimore Development, availability of contemplated working capital and the discharge, bonding or insuring over of certain liens in connection with the Baltimore Development. The maximum liability of Caesars Baltimore under its completion guarantee is approximately \$9.1 million.

Concurrently with the closing of the Baltimore Credit Facility, CBAC entered into an equipment financing term loan facility for up to \$30.0 million (the "Baltimore FF&E Facility"). Under the Baltimore FF&E Facility, CBAC may use funds from the facility to finance or reimburse the purchase price and certain related costs of furniture, furnishings, and equipment (referred to as "FF&E") to be used in the Baltimore Development. Proceeds of the Baltimore FF&E Facility will also be available to refinance the purchase price of FF&E purchased with other amounts available to CBAC. Draws under the Baltimore FF&E Facility may be made after the closing date and prior to January 2015, provided that a final draw of the unused commitment amount will be deposited into an escrow account pledged to the collateral agent for the Baltimore FF&E Facility at the end of the commitment period, and such funds will be available for subsequent financing of FF&E purchases. CBAC is not permitted to reduce the commitments under the FF&E Facility. The Baltimore FF&E Facility will mature in January 2019.

The Baltimore FF&E Facility has covenants and events of default substantially consistent with the Baltimore Credit Facility, and other restrictive covenants customary for FF&E facilities of this type.

Other Obligations and Commitments

The table below summarizes CGP LLC's contractual obligations and other commitments as of December 31, 2013.

<u>(In millions)</u>	Payments due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Debt payable to related parties, face value	\$ 39.8	\$ —	\$ 39.8	\$ —	\$ —
Debt payable to third parties, face value ⁽¹⁾	724.7	0.1	499.3	9.1	216.2
Estimated interest payments to related parties ⁽²⁾	14.9	8.8	6.1	—	—
Estimated interest payments to third parties ⁽²⁾	150.7	29.7	45.3	41.5	34.2
Convertible note, face value ⁽³⁾	47.7	47.7	—	—	—
Operating lease obligations	631.8	11.4	54.5	41.8	524.1
Other contractual obligations ⁽⁴⁾	47.7	26.0	19.2	2.3	0.2
	<u>\$ 1,657.3</u>	<u>\$ 123.7</u>	<u>\$ 664.2</u>	<u>\$ 94.7</u>	<u>\$ 774.7</u>

⁽¹⁾ Includes a capital lease obligation of \$0.1 million.

⁽²⁾ Estimated interest for variable rate debt included in this table is based on rates at December 31, 2013.

⁽³⁾ CGP LLC intends to settle the convertible note through the issuance of Caesars Interactive common stock.

⁽⁴⁾ As of December 31, 2013, Caesars Entertainment had contributed \$55.7 million of cash equity in the Maryland Joint Venture and may have to contribute up to an additional \$22.3 million of capital contributions under the terms of the Maryland Joint Venture's operating agreement. CGP LLC has assumed all of Caesars Entertainment's uncalled capital commitments. See Note 19 — Subsequent Events of the CGP LLC Audited Financial Statements included in Exhibit 99.1 of this annual Report for information regarding the change in ownership percentage of the Baltimore JV and therefore reduces the amount of the potential capital contribution obligation.

Off-Balance Sheet Arrangements

CGP LLC did not have any off-balance sheet arrangements at December 31, 2013 nor did Predecessor Growth Partners at December 31, 2012.

Critical Accounting Policies and Estimates

CGP LLC and Predecessor Growth Partners prepared their financial statements in conformity with GAAP. Certain accounting policies, including the estimated consumption rate of virtual goods that is used for revenue recognition in the social and mobile games business, useful lives of property, equipment and intangible assets, income taxes, accounting for stock-based compensation, the valuation of contingent consideration, the valuation of contingently issuable non-voting membership units, the evaluation of goodwill and long-lived assets for impairment and Total Rewards point liability require that CGP LLC and Predecessor Growth Partners apply significant judgment in defining the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. CGP LLC's and Predecessor Growth Partners' judgments are based on historical experience, terms of existing contracts, observance of trends in the industry, information provided by customers and information available from other outside sources, as appropriate. For a summary of CGP LLC's and Predecessor Growth Partners' significant accounting policies, please refer to the notes to the audited consolidated financial statements included in Note 1 - Description of Business and Summary of Significant Accounting Policies of the CGP LLC consolidated financial statements and Note 1 - Description of Business and Summary of Significant Accounting Policies of the Predecessor Growth Partners combined financial statements.

CGP LLC and Predecessor Growth Partners consider accounting estimates to be critical accounting policies when:

- the estimates involve matters that are highly uncertain at the time the accounting estimate is made; and
- different estimates or changes to estimates could have a material impact on the reported financial position, changes in financial position or results of operations.

When more than one accounting principle, or method of its application, is generally accepted, CGP LLC and Predecessor Growth Partners selected the principle or method that they consider to be the most appropriate when given the specific circumstances. Application of these accounting principles requires them to make estimates about the future resolution of existing uncertainties. Due to the inherent uncertainty involving estimates, actual results reported in the future may differ from those estimates. In preparing these financial statements, CGP LLC and Predecessor Growth Partners have made their best estimates and judgments of the amounts and disclosures included in the financial statements, giving regard to materiality.

Recent Accounting Pronouncements

The information regarding recent accounting pronouncements is included in Note 2 — Recently Issued Accounting Pronouncements to the CGP LLC consolidated financial statements and in Note 2 - Recently Issued Accounting Pronouncements to the Predecessor Growth Partners combined financial statements included elsewhere in this Annual Report on Form 10-K.

Consolidation

CGP LLC consolidates into its financial statements the accounts of any variable interest entity for which it is determined to be the primary beneficiary. CGP LLC analyzes its variable interests to determine if the entity that is party to the variable interest is a variable interest entity in accordance with GAAP. This analysis requires significant judgment on the part of management, and any changes to that judgment could result in reaching a different consolidation conclusion. CGP LLC's analysis includes both quantitative and qualitative reviews. Quantitative analysis is based on the forecasted cash flows of the entity. Qualitative analysis is based on CGP LLC's review of the design of the entity, its organizational structure including decision-making ability and financial agreements. Based on current analysis, CBIC, a wholly-owned subsidiary of CGP LLC, has an ownership interest in CR Baltimore Holdings ("CRBH"), a variable interest entity. CBIC has been determined to be the primary beneficiary of CRBH and therefore consolidates CRBH into its financial statements. As CBIC is wholly-owned by CGP LLC, CGP LLC therefore also consolidates the CRBH variable interest.

CGP LLC also consolidates into its financial statements the accounts of any wholly-owned subsidiaries and any partially-owned subsidiaries that are not deemed to be variable interest entities and for which CGP LLC has the ability to control. Control generally equates to ownership percentage, whereby investments that are more than 50% owned are consolidated, investments in affiliates of 50% or less but greater than 20% are generally accounted for using the equity method, and investments in affiliates of 20% or less are accounted for using the cost method. The legal entity that owns the Planet Hollywood assets and the legal entity that owns the CEOC Notes both are wholly-owned subsidiaries of CGP LLC, and CIE is a majority-owned subsidiary of CGP LLC.

CGP LLC's consolidated financial statements include the elimination of all intercompany accounts and transactions.

Application of Purchase Method Accounting

Neither CGP LLC nor Predecessor Growth Partners had any business combination activity requiring the application of purchase method accounting within the Casino Properties and Developments segment during the periods presented in the accompanying financial statements.

On December 27, 2012, CIE, a subsidiary of CGP LLC and Predecessor Growth Partners, consummated the acquisition of substantially all of the assets of Buffalo Studios, a social and mobile games developer based in Santa Monica, California. Aggregate cash consideration paid for this acquisition was approximately \$45.2 million. CIE also recorded contingent consideration payable of approximately \$5.6 million associated with this acquisition as of the acquisition date, which has been subsequently adjusted to its estimated fair market value. CIE applied the acquisition method of accounting to this business combination, which required the following:

Identifying the acquirer

CIE acquired control of substantially all of the assets of Buffalo Studios from the individual shareholders, and created a wholly-owned subsidiary to record the activities of this business.

Determining the acquisition date

Title to all acquired assets, transfer of licensing requirements and the assumption of certain liabilities occurred upon closing, at midnight on December 27, 2012.

Recognizing and measuring the identifiable assets acquired and the liabilities assumed

As of December 31, 2012, CIE recorded the initial purchase price allocation of the acquired assets and assumed liabilities based upon the results of a preliminary valuation. CIE finalized its purchase price allocation for this transaction during the fourth quarter 2013 with no material changes from the initial allocation.

Recognizing and measuring goodwill

CIE recorded the estimated fair values of the identifiable net assets acquired and liabilities assumed. As the consideration paid exceeded these estimated fair values, the excess was recorded as goodwill.

The application of the acquisition method accounting guidance had the following effects on its consolidated financial statements: (i) CIE measured the fair value of identifiable assets and liabilities in accordance with promulgated valuation recognition and measurement provisions and recognized such in CGP LLC's consolidated balance sheet as of December 31, 2013 and in Predecessor Growth Partners' combined balance sheet as of December 31, 2012; and (ii) CIE reported the operating results of Buffalo Studios in Predecessor Growth Partners' combined statements of operations and cash flows for the final four days of the period ending December 31, 2012 and the period ended October 21, 2013 as well as in CGP LLC's consolidated financial statements for the period from October 22, 2013 through December 31, 2013.

CIE engaged independent third-party valuation expertise to assist in the fair value determination of identifiable intangible assets such as the established user base, the gaming engine and the developed games, and in the fair value determination of any other significant tangible assets or liabilities, such as long-lived property. Enterprise value allocation methodology requires management to make assumptions and apply judgment to estimate the fair value of acquired assets and liabilities. Management estimates the fair value of assets and liabilities primarily using discounted cash flows and replacement cost analysis. If actual amounts significantly differed from the estimates or assumptions used to complete the enterprise valuation and estimate the fair value of acquired assets and liabilities, the resulting difference could materially affect the fair value of net assets.

In total, CIE recorded acquisition date fair values of Buffalo Studios' assets of approximately \$52.9 million, and fair value of liabilities assumed of approximately \$2.1 million, excluding contingent consideration. The financial position of Buffalo Studios is presented in the Combined Balance Sheet of Predecessor Growth Partners as of December 31, 2012 and is consolidated in the CGP LLC Balance Sheet as of December 31, 2013.

Assets and liabilities contributed to or acquired by CGP LLC in the Transactions described previously are considered transactions between entities under common control. Thus, there is no goodwill or recognition of previously unrecognized other intangible assets resulting from the Transactions.

Receivables

Accounts receivable are typically non-interest bearing and are initially recorded at cost. Accounts are written off when management deems the account to be uncollectible. Recoveries of accounts previously written off are recorded when received. We reserve an estimated amount for gaming receivables that may not be collected to reduce receivables to their net carrying amount, which approximates fair value.

various percentages applied to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific reserves.

Marker play represents a significant portion of our overall table games volume. We maintain strict controls over the issuance of markers and aggressively pursue collection from those customers who fail to pay their marker balances timely. These collection efforts are similar to those used by most large corporations when dealing with overdue customer accounts, including the mailing of statements and delinquency notices, personal contacts, the use of outside collection agencies and civil litigation. Markers are generally legally enforceable instruments in the United States. Markers are not legally enforceable instruments in some foreign countries, but the United States' assets of foreign customers may be reached to satisfy judgments entered in the United States. We consider the likelihood and difficulty of enforceability, among other factors, when we issue credit to customers who are not residents of the United States.

Long-Lived Assets

CGP LLC has significant capital invested in its long-lived assets and judgments are made in determining the estimated useful lives of assets, salvage values to be assigned to assets, and if or when an asset has been impaired. The accuracy of these estimates affects the amount of depreciation and amortization expense recognized in the financial results and whether CGP LLC has a gain or loss on the disposal of an asset. CGP LLC assigns lives to its assets based on its standard policy, which is established by management as representative of the useful life of each category of asset. CGP LLC reviews the carrying value of its long-lived assets whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. The factors considered by management in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition, and other economic factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the reporting unit level, which, for most of CGP LLC's assets, is the individual property.

Goodwill and Other Non-Amortizing Intangible Assets

The purchase price of an acquisition is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. CGP LLC and Predecessor Growth Partners determined the estimated fair values after review and consideration of relevant information including discounted cash flows, quoted market prices and estimates made by management. To the extent the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired and liabilities assumed such excess is recorded as goodwill.

Predecessor Growth Partners performed its annual goodwill impairment assessment as of September 30 or more frequently if impairment indicators existed. CGP LLC will perform its annual goodwill impairment assessment as of October 1, or more frequently if impairment indicators exist. CGP LLC determines, and Predecessor Growth Partners determined, the estimated fair value of each reporting unit based on a combination of earnings before interest, taxes, depreciation and amortization ("EBITDA") and estimated future cash flows discounted at rates commensurate with the capital structure and cost of capital of comparable market participants, giving appropriate consideration to the prevailing borrowing rates within the casino industry in general. CGP LLC also evaluates, and Predecessor Growth Partners also evaluated, the aggregate fair value of all of its reporting units and other non-operating assets in comparison to its aggregate debt and equity market capitalization at the test date. EBITDA multiples and discounted cash flows are common measures used to value businesses in CGP LLC's industry.

Predecessor Growth Partners performed an annual impairment assessment of other non-amortizing intangible assets as of September 30 or more frequently if impairment indicators existed. CGP LLC will perform an annual impairment assessment of other non-amortizing intangible assets as of October 1 or more frequently if impairment indicators exist. CGP LLC determines, and Predecessor Growth Partners determined, the estimated fair value of non-amortizing intangible assets by primarily using the "Relief From Royalty Method" and "Excess Earnings Method" under the income approach.

The annual evaluation of goodwill and other non-amortizing intangible assets requires the use of estimates about future operating results, valuation multiples, and discount rates to determine their estimated fair value. Changes in these assumptions can materially affect these estimates. Thus, to the extent the gaming volumes deteriorate further in the near future, discount rates increase significantly, or CGP LLC does not meet its projected performance, CGP LLC could have additional impairments to record in the next twelve months, and such impairments could be material. This is especially true for any of CGP LLC's properties where goodwill and other non-amortizing intangible assets have been partially impaired as a result of a recent impairment analysis. Charges related to goodwill and intangible assets other than goodwill are recognized in impairment of intangible and tangible assets in the Statements of Operations.

Total Rewards Point Liability Program

CEC's customer loyalty program, Total Rewards, offers incentives to customers who gamble at all of CGP LLC's casino entertainment facilities located in the U.S. and Canada for on-property entertainment expenses, including gaming, hotel, dining, and retail shopping. Under the program, customers are able to accumulate, or bank, reward credits over time that they may redeem at their discretion under the terms of the program. The reward credit balance will be forfeited if the customer does not

earn a reward credit over the prior six-month period. As a result of the ability of the customer to bank the reward credits, CGP LLC accrues the estimated cost of fulfilling the redemption of reward credits, after consideration of estimated forfeitures (referred to as "breakage"), as they are earned. The estimated value of reward credits is expensed as the reward credits are earned by customers and is included in direct casino expense in Predecessor Growth Partners and CGP LLC's Consolidated Statements of Operations. To arrive at the estimated cost associated with reward credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates, and the mix of goods and services for which reward credits will be redeemed. CGP LLC uses historical data to assist in the determination of estimated accruals.

Revenue Recognition

Interactive Entertainment—Social and Mobile Games

CIE derives revenue from the sale of virtual currencies within casino-themed social and mobile games which are played on various global social and mobile third-party platforms. CIE's *Slotomania* and *Bingo Blitz* applications represented 89% of CIE's social and mobile games revenue for the year ended December 31, 2013.

Within the *Slotomania* application, game players may collect free virtual coins on a regular basis, may send "gifts" of either free virtual coins or free slot machine spins to their friends through interactions with the Facebook application, and may "earn" free virtual coins through targeted marketing promotions. Within the *Bingo Blitz* application, game players may collect free bingo credits on a regular basis, may send "gifts" of free bingo credits or other virtual items to their friends through interactions with the Facebook application, and may "earn" free bingo credits through targeted marketing promotions. Virtual coins in *Slotomania* and virtual bingo credits in *Bingo Blitz* (collectively referred to as "virtual currency" or "virtual goods") allow the game players to play the respective games free of charge. If a game player wishes to obtain virtual goods above and beyond the level of free virtual goods available to that player, the player may purchase additional virtual goods. Once a purchase of virtual goods is completed, the coins are deposited into the players account and are not separately identifiable from previously purchased virtual goods or virtual goods obtained by the game player for free.

Once obtained, virtual currency (either free or purchased) cannot be redeemed for cash nor exchanged for anything other than game play. When virtual currency is played in the games, the game player could "win" and would be awarded additional virtual currency, or could "lose" and essentially lose the future use of that virtual currency. As the game player does not receive any additional benefit from the games, nor is the game player entitled to any additional rights once the game player's virtual goods are substantially consumed, CIE has concluded that the virtual goods represent consumable goods.

CIE has determined through a review of customer play behavior that game players who purchase virtual currency generally are not purchasing additional virtual currency if their existing virtual goods balances have not been substantially consumed. As CIE is able to track the duration between purchases of virtual currency for individual game players, CIE is able to reliably estimate the period of time over which virtual currency is consumed. As such, CIE recognizes revenue using an item-based revenue model.

Because CIE is unable to distinguish whether purchased or free virtual currency is consumed, CIE must estimate the amount of outstanding purchased virtual currency at each reporting period based on customer behavior. Based upon an analysis of the customers' historical play behavior, the timing difference between when virtual currencies are purchased by a customer and when those virtual currencies are consumed in gameplay is relatively short. CIE records within other current liabilities the deferred revenue associated with its social and mobile games, and also records within other current assets the prepaid platform fees associated with this deferred revenue.

CIE continues to gather detailed customer play behavior and assess this data in relation to its revenue recognition policy. To the extent the customer play behavior changes, CIE will reassess its estimates and assumptions used for revenue recognition.

The *Slotomania* and *Bingo Blitz* applications are played on various social and mobile third-party platforms for which such third parties collect monies from CIE's customers and pay CIE an amount after deducting a platform fee. CIE is the primary obligor with its customers under these arrangements, retains the ability to establish the pricing for its virtual currencies, and assumes all credit risk with its customers.

Based upon the above facts, CIE recognizes revenues from its game-playing customers on a gross basis and related platform fees are recorded as a component of operating expense.

Prior to September 2013, transactions conducted through the Facebook platform were facilitated using Facebook credits ("FB Credits"), which is a form of virtual currency specific to the Facebook platform. Effectively, transactions priced by CIE to sell a specified number of virtual goods for a specified cost in a game player's local currency had FB Credits inserted into the transaction flow, whereby the purchase price paid by the game player was first converted to FB Credits, and the FB Credits were then converted into the resulting number of virtual goods. This provided a means for Facebook platform users to accumulate FB

Credits prior to making an in-application purchase, and for the Facebook platform to provide to its users FB Credits at a discount or for free.

Subsequent to the September 2013 elimination of FB Credits, Facebook may provide free gift cards or determine other means of discounting virtual currencies purchased by the Facebook platform users. As a result, CIE reviews the individual transaction details to ensure that revenues recognized for the sale of virtual currencies through the Facebook platform represent cash paid for such currencies by CIE's game players.

WSOP and Online Real Money Gaming

The majority of the WSOP and non-US regulated online real money licensed gaming revenue is derived from licensing the WSOP and Caesars trade names to third parties for the use in regulated online real money gaming and social and mobile games, the licensing of the WSOP trade name, and television rights and sponsorship for the WSOP live tournaments. With respect to the licensing agreements, CIE's revenues are typically based upon a percentage of revenue earned by its licensees and the fees received from Caesars Entertainment for the WSOP live tournament events.

CIE's license fee revenues generated from regulated online real money gaming are recognized as earned based on a contractually agreed upon percentage of the net gaming revenue. CIE believes that it is the agent in these transactions and therefore records the net licensing revenue derived from its licensees' net gaming revenue. Revenue related to the licensing of the WSOP trade name to third parties for the use in for social, mobile and console games is recognized based on an agreed percentage of the third parties' revenues through revenue sharing agreements.

Media and sponsorship revenues related to WSOP live tournaments are recorded as earned generally over the initial broadcasting period of the WSOP live tournaments.

Online real money gaming revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for player deposits. Cash discounts and other cash incentives related to online real money gaming are recorded as a reduction to WSOP and online real money gaming revenues.

Casino Properties and Developments

Casino Revenues. Casino revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers' possession. However, jackpots, other than the incremental amount of progressive jackpots, are recognized at the time they are won by customers. CGP LLC accrues the incremental amount of progressive jackpots as the progressive machine is played and the progressive jackpot amount increases, with a corresponding reduction of casino revenue.

Food, Beverage, Rooms, and Other. Food, beverage, accommodations, and other revenues are recognized when services are performed. The retail value of accommodations, food and beverage, and other services furnished to casino guests without charge is included in gross revenue and then deducted as promotional allowances.

Stock-based Compensation

Caesars Entertainment grants stock-based compensation awards in Caesars Entertainment common stock to certain employees that work for the management companies of Planet Hollywood and Horseshoe Baltimore under the Caesars 2012 Performance Incentive Plan. Caesars Entertainment's allocated expenses associated with Planet Hollywood or Horseshoe Baltimore's executives' stock-based awards for the years ended December 31, 2013 and 2012 were not material to the consolidated financial statements.

CIE grants stock-based compensation awards in Caesars Interactive common stock to its employees and service providers in accordance with the Caesars Interactive Entertainment, Inc. Amended and Restated Management Equity Incentive Plan (the "Plan"), which is intended to promote the interests of CIE and its shareholders by providing key employees, directors, service providers and consultants with an incentive to encourage their continued employment or service and improve the growth and profitability of CIE. The Plan provides for the Plan to be administered by the Human Resources Committee of the Board of Directors of CAC (the "Committee"). As a matter of policy, the exercise price of all options granted under the Plan has been determined by the Committee to ensure that the exercise price of options granted under the Plan complies with the requirement that such exercise price is not less than the fair market value of the underlying shares at the respective grant dates.

The following is a description of the components of these programs under the Plan as of December 31, 2013:

Stock Options and Warrants

Time-based stock options have been granted to Caesars Interactive employees and non-employees, and time-based warrants have been granted to non-employees. Historically, both the options and warrants were generally subject to a five-year vesting period; vesting 20% per year on each anniversary of its effective date, until 100% of the options or warrants are fully vested and exercisable. Vesting is subject to the

participant's continued employment or service for non-employees, through the

applicable vesting date. On September 30, 2013 and October 10, 2013, certain key Caesars Interactive employees and non-employees were granted time-based stock options which vest ratably over a period of either five or seven years.

Certain Caesars Interactive employees have been granted Caesars Interactive stock options, and one service provider has been granted a warrant to purchase common stock of Caesars Entertainment, with vesting conditions associated with the legalization and implementation of online gaming in the U.S. These stock options and warrants vest based on conditions other than market, performance or service conditions and therefore have been recorded as liability-classified instruments and are measured at their fair value at each reporting date for accounting purposes.

All warrants to non-employees and the majority of the stock options to employees and non-employees contain a call option, at a fixed amount, which is exercisable by CIE. Since the embedded call feature is at a fixed price, the call feature could result in a repurchase amount that is less than the fair value of the underlying shares. Therefore, these options and warrants are liability-classified instruments and are measured at fair value at each reporting date for accounting purposes. All options without the call provision are equity-classified instruments and are measured at their fair value at the date of grant for accounting purposes. All unexercised options and warrants expire on the tenth anniversary of the grant date.

Restricted Shares and RSU's

Certain key employees of a subsidiary of Caesars Interactive have been granted restricted shares, which vest on the third anniversary of grant as long as the employee remains employed through this anniversary date. Prior to July 25, 2012, certain of the restricted shares contained a call option, at a fixed amount, which was exercisable by Caesars Interactive. Therefore, these restricted shares were liability-classified instruments and were measured at fair value at each reporting date for accounting purposes. This call option was removed from the restricted shares on July 25, 2012 at which time the shares were reclassified to equity classified awards. There was no incremental cost associated with this modification as the modification did not alter the fair value of the underlying award. The liability recognized in the Combined Balance Sheet was reclassified to Additional paid-in capital on the modification date. Restricted shares without this call provision are equity-classified instruments and are measured at their fair value at the date of grant for accounting purposes.

On September 30, 2013 and October 10, 2013 certain key Caesars Interactive employees were granted restricted stock units ("RSUs"), which are subject to either a five -year or seven -year vesting period. For RSU awards subject to a seven-year vesting period, 25% of the award vests ratably over four years, 25% vests ratably over five years, 25% vests ratably over six years and 25% vests ratably over seven years. The remaining RSUs granted on September 30, 2013 and October 10, 2013 are subject to a five -year vesting period such that 20% of the awards vest in each year starting with and subsequent to the first anniversary of the grant date. Restricted shares and RSUs are equity-classified instruments and are measured at their fair value at the date of grant for accounting purposes.

On June 2, 2013, Predecessor Growth Partners entered into a binding letter agreement for the separation of employment of a senior management team member of a subsidiary of Caesars Interactive. Under this memorandum of understanding, this individual has agreed to forfeit his unvested options and exercise his vested options, and Predecessor Growth Partners has agreed to purchase from this individual, at an agreed upon price, the shares he acquires pursuant to the exercise of his options, plus previously owned Management Shares and restricted shares, subject to the execution of a final definitive agreement.

CIE granted the following stock options and warrants and RSUs since January 1, 2012:

	Number of Options / Shares Granted	Weighted Average Exercise Price	Weighted Average Fair Value Per Share ⁽¹⁾
<u>Quarter Ended March 31, 2012</u>			
Stock options and warrants	325	\$ 4,971.50	\$ 2,029.56
<u>Quarter Ended June 30, 2012</u>			
Stock options and warrants	—	—	—
<u>Quarter Ended September 30, 2012</u>			
Stock options and warrants	611	5,000.00	2,353.09
<u>Quarter Ended December 31, 2012</u>			
Stock options and warrants	475	6,115.00	3,160.45
<u>Quarter Ended March 31, 2013</u>			
Stock options and warrants	—	—	—
<u>Quarter Ended June 30, 2013</u>			
Stock options and warrants	690	5,865.00	2,583.29
<u>Quarter Ended September 30, 2013</u>			
Stock options and warrants	3,770	5,500.00	2,628.26
RSUs	3,420	N/A	5,470.00
<u>Quarter Ended December 31, 2013</u>			
Stock options and warrants	1,840	5,500.00	2,618.49
RSUs	1,840	N/A	5,470.00

⁽¹⁾ For stock options and warrants, the fair value represents the grant date fair value of the option or warrant. For RSUs, the fair value represents the grant date value of the underlying stock.

Management Shares

In October 2011, certain key CIE employees purchased common stock of Caesars Interactive Entertainment ("Management Shares"). Management Shares are equity-classified instruments for accounting purposes.

In January 2013, CIE offered to purchase a portion of the Management Shares owned by certain members of CIE management at a price of \$5,221 per share. Aggregate consideration paid by Caesars Interactive for all shares purchased in the transaction amounted to \$2.7 million.

In July 2013, CIE offered to purchase a portion of the Management Shares owned by certain members of CIE management at a price of \$5,446.49 per share. Aggregate consideration paid by Caesars Interactive for all shares purchased in the transaction amounted to \$7.2 million.

Valuation of CIE Common Stock

Caesars Interactive determines the value of its common stock in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation (the "Practice Aid"). The valuations of CIE's common stock were performed retrospectively by an internal valuation specialist for valuation dates of March 31, 2012 and earlier. The valuations of CIE's common stock were performed contemporaneously by this same internal valuation specialist for the valuation dates between March 31, 2012 and June 30, 2012. Valuations subsequent to June 30, 2012 were determined with the assistance of a third-party valuation firm.

In performing these valuations, the valuation specialists considered the appropriate valuation methodology to use based on the stage of development of CIE at the valuation date, in accordance with the Practice Aid. The valuation specialist considered a number of significant valuation events including, but not limited to, the following:

- The November 2013 listing of the common stock of CAC on the NASDAQ Global Select Market;
- The October 2013 consummation of the Transactions;
- CIE's voluntary redemptions of shares from management shareholders electing to redeem such shares, one of which closed in the first quarter of 2013 and one of which closed in the third quarter of 2013;

- The fourth quarter 2012 exercise by an independent third-party investor of their option to purchase shares of CIE's common stock; and
- The first quarter 2012 arms-length sale of CIE common stock.

Through December 31, 2013, CIE performed valuations of its common stock and took into account facts and circumstances specific to each quarter. Given the relative independence of the components of the entity, the valuation specialists, both internal and external, performed sum of the parts valuations which used a combination of market-based and income-based approaches for the various business components to determine the value of each component of the business, and then aggregated these component values to arrive at the estimated business enterprise value.

After concluding on a business enterprise value, the valuation specialists then converted that value to an equity value by subtracting the debt on the balance sheet as of each valuation date. The resultant equity value was divided by the number of outstanding common shares at each valuation date to determine the fair value of an individual share of common stock.

The valuation specialists also considered the appropriate premiums and discounts that must be assessed in relation to the valuation of CIE's common stock supporting the outstanding options and warrants. The majority of CIE's common stock is owned by CGP LLC. As such, any shares obtained pursuant to options and warrants will have the same inability to control or influence decisions that are subject to shareholder approval as the shares that were obtained in the first quarter 2012 arms-length sale of CIE's common stock to an independent investor and in the fourth quarter sale of CIE's common stock pursuant to the third-party investor's exercise of their purchase option. As such, the common stock valuation methodology used for purposes of valuing stock options did not require any additional discount for lack of control.

Having taken the above considerations into account, the fair value of CIE's common stock was then used by an independent third-party valuation specialist to determine the fair value of CIE's options and warrants.

The following are the facts and circumstances considered in each quarter in determining the business enterprise value:

Quarter Ended March 31, 2012

The fair value of CIE's common stock as of March 31, 2012 was \$4,846.66 per share. During this quarter, CIE closed the aforementioned transaction in which CIE sold its shares to a third-party, and the value implied by that transaction was determined to be the best indicator of value as of the valuation date. The modest increase reflects the accumulation of cash generated from operations during the quarter.

Quarter Ended June 30, 2012

The fair value of CIE's common stock as of June 30, 2012 was \$4,984.66 per share. The modest increase reflects the net impact of positive operating results during the quarter, which were mostly offset by the reduction in market valuations of CIE's peer companies used in its internal valuation process.

Quarter Ended September 30, 2012

The fair value of CIE's common stock as of September 30, 2012 was \$6,270 per share. The significant increase reflects the net impact of positive operating results during the quarter and an increase in CIE's forecasted financial performance, combined with changes to underlying valuation assumptions, primarily related to the nature and expected timing of future liquidity events.

Quarter Ended December 31, 2012

The fair value of CIE's common stock as of December 31, 2012 was \$5,450 per share. The decrease from the prior quarter reflects the reduction in market valuations and multiples exhibited by many of the peer companies used in CIE's internal valuation process. Specifically, stock prices for the peer companies declined by approximately 20 percent over the fourth quarter of 2012. Given the timing of CIE's voluntary share redemption offer to members of management during the first quarter 2013, in which CIE purchased from management approximately 536 shares of CIE's common stock at a price of \$5,221, the December 31, 2012 value of CIE's common stock also gave consideration to this first quarter 2013 purchase transaction.

Quarter Ended March 31, 2013

The fair value of CIE's common stock as of March 31, 2013 was \$5,500 per share. Shortly after the quarter, CAC and Caesars Entertainment concluded on the Transactions, and the value implied by that transaction was determined to be the best indicator of value as of the valuation date. The modest increase from the prior quarter reflects primarily the accumulation of cash generated from operations, including growth from the acquisition of Buffalo Studios during the fourth quarter.

Quarter Ended June 30, 2013

The fair value of CIE's common stock as of June 30, 2013 was \$5,500 per share, consistent with the value at March 31, 2013.

Quarter Ended September 30, 2013

The fair value of CIE's common stock as of September 30, 2013 was \$5,470 per share, consistent with the value determined independently in connection with the Transactions.

Quarter Ended December 31, 2013

The fair value of CIE's common stock as of December 31, 2013 was \$8,010 per share. The drivers of the large increase in share price include the launch of real money gaming in New Jersey in November 2013, and significant acceleration in the Playtika business late in the fourth quarter.

Investment in Senior Notes Previously Issued by a Related Party

Investments in notes issued by a related party consist of approximately \$1.1 billion of aggregate principal amount of the CEOC Notes. The notes have fixed cash-pay interest rates ranging from 5.625% to 6.50% and maturities ranging from 2015 to 2017. These notes have been determined to be classified as "available for sale" in accordance with the provisions of ASC 320, *Investments—Debt and Equity Securities*, and accordingly are carried at fair value with the unrealized gain or loss reported in other comprehensive income. Fair value is determined by currently available market prices. Accumulated unrealized gains and losses, net of taxes, are reported as a component of stockholders' equity. Realized gains and losses on investments are recognized in the Consolidated Statement of Operations and Comprehensive Income. An impairment loss will be recognized and will reduce an investment's carrying amount to its fair value when a decline in the fair value of an individual security below its cost or carrying value is determined to be other-than-temporary.

CGP LLC reviews its investment portfolio quarterly to determine if any investment is other-than-temporarily impaired. CGP LLC determines impairment is other-than-temporary when there is intent to sell the security, it is more likely than not that the security will be required to be sold before recovery in value or it is not expected to recover its entire amortized cost basis ("credit-related loss"). However, if CGP LLC does not expect to sell a debt security, it still evaluates expected cash flows to be received and determines if a credit-related loss exists. In the event of a credit-related loss, only the amount of impairment associated with the credit-related loss is recognized in earnings. Fair value adjustments relating to factors other than credit-related losses deemed as other-than-temporary impairments would be recorded as a component of stockholders' equity.

Income Taxes

CGP LLC records income taxes under the asset and liability method, whereby deferred tax assets and liabilities are recognized based on the expected future tax consequences of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and attributable to operating loss and tax credit carryforwards. CGP LLC reduces the carrying amounts of deferred tax assets by a valuation allowance if, based on the available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically based on the more likely than not realization threshold. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, CGP LLCs' experience with operating loss and tax credit carryforwards not expiring unused and tax planning alternatives.

The effect on the income tax provision and deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

For the period October 22 to December 31, 2013, the provision for income taxes only includes CIE, the corporate subsidiary of CGP LLC, which was taxed as a corporation for US federal, state and foreign income tax purposes. CGP LLC is treated as a pass-through entity for US federal and state income tax purposes whereby all income or loss is passed through to its Members and taxed by each Member.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

CAESARS ACQUISITION COMPANY

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, currency exchange rates and commodity prices. As CAC will only hold an investment in CGP LLC accounted for using the HLBV form of the equity method of accounting, we do not believe that CAC has significant market risk exposure.

CAC does not purchase or hold any derivative financial instruments for hedging or trading purposes.

CAESARS GROWTH PARTNERS, LLC

CGP LLC's primary exposure to market risk is related to interest rate risk associated with its investments. CGP LLC's investment in

debt securities which are classified as available for sale and reported at fair value includes investments in notes

issued by a subsidiary of Caesars Entertainment. As these investments are not diversified across industries or companies, CGP LLC is subject to a significant concentration of credit risk.

Planet Hollywood has an interest rate cap agreement for a notional amount of \$501.4 million at a LIBOR cap rate of 7.0%, which matures on April 9, 2015. Caesars Interactive has an unsecured credit facility with Caesars Entertainment for a notional amount of \$39.8 million at a rate of LIBOR plus 5%, which matures on November 29, 2016. Assuming a constant outstanding balance for our variable rate debt with both third parties and with related parties for the next twelve months, a hypothetical 1% increase in interest rates would increase interest expense for the next twelve months by \$5.3 million. At December 31, 2013, the weighted average USD LIBOR rate on our variable rate debt was 0.19%. A hypothetical reduction of this rate to 0% would decrease interest expense for the next twelve months by \$0.9 million.

CGP LLC does not purchase or hold any derivative financial instruments for trading purposes.

CGP LLC generates a significant portion of its social and mobile games revenue outside the United States. Foreign currency transaction gains and losses were not material to CGP LLC's or Predecessor Growth Partners' results of operations for 2013 and 2012. For 2013 and 2012, \$107 thousand and \$484 thousand, respectively, was recognized in foreign currency transaction losses associated with social and mobile games revenues generated in currencies other than U.S. dollars. CGP LLC's exposure to this foreign currency exchange risk is minimized by the relatively short payment cycles, which is typically every two weeks for payments from Facebook and monthly for payments from Apple.

CGP LLC's other foreign currency risk primarily relates to the operating expenses of CIE's offices in Montreal, Tel Aviv, Belarus and the Ukraine. In addition, CGP LLC has currency risk associated with certain license agreements denominated in currencies other than U.S. dollars. In the aggregate, expenses related to operating non-U.S. offices and revenues earned under all non-U.S. dollar denominated agreements were not material to CGP LLC and Predecessor Growth Partners' results for the periods presented.

Item 8 . Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Caesars Acquisition Company:

We have audited the accompanying balance sheet of Caesars Acquisition Company (the "Company") as of December 31, 2013 and the related statements of operations, comprehensive income, stockholders' equity and cash flows for the period from February 25, 2013 (inception date) through December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Caesars Acquisition Company as of December 31, 2013, and the results of its operations and its cash flows for the period from February 25, 2013 through December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Company was formed to own 100% of the voting membership units of Caesars Growth Partners, LLC ("CGP LLC"), a joint venture between the Company and Caesars Entertainment Corporation that was formed on October 21, 2013. The Company's investment in CGP LLC, a variable interest entity, is accounted for under the equity method and the Company recognizes earnings from its equity method investment using the hypothetical liquidation at book value method.

/s/ Deloitte & Touche LLP

Las Vegas, Nevada
March 28, 2014

CAESARS ACQUISITION COMPANY
BALANCE SHEET
(In millions, except par value and share data)

	December 31, 2013
Assets	
Current assets	
Cash and cash equivalents	\$ —
Receivables, net	2.5
Prepayments and other current assets	1.1
Total current assets	3.6
Equity method investment in Caesars Growth Partners, LLC	1,141.9
Deferred tax assets	2.1
Total assets	\$ 1,147.6
Liabilities and Stockholders' Equity	
Current liabilities	
Accounts payable	\$ 1.4
Payables to related party	0.1
Deferred tax liabilities	0.4
Total current liabilities	1.9
Commitments and contingencies (Note 7)	
Stockholders' equity	
Common stock: \$0.001 par value; 300,000,000 Class A shares and 900,000,000 Class B shares authorized at December 31, 2013; 135,771,882 Class A shares issued and outstanding at December 31, 2013	0.1
Additional paid-in capital	1,141.1
Retained earnings	4.5
Total stockholders' equity	1,145.7
Total liabilities and stockholders' equity	\$ 1,147.6

See accompanying Notes to Financial Statements.

CAESARS ACQUISITION COMPANY
STATEMENT OF OPERATIONS
(In millions, except per share data)

	February 25, 2013 Through December 31, 2013
Revenues	\$ —
Operating expenses	(0.4)
Income from equity method investment in Caesars Growth Partners, LLC	7.3
Income before provision for income taxes	6.9
Provision for income taxes	(2.4)
Net income	<u>\$ 4.5</u>
Earnings per share - basic and diluted	\$ 0.19
Weighted average common shares outstanding - basic and diluted	23.5

See accompanying Notes to Financial Statements.

CAESARS ACQUISITION COMPANY
STATEMENT OF COMPREHENSIVE INCOME
(In millions)

	February 25, 2013 Through December 31, 2013
Net income	\$ 4.5
Other comprehensive income, net of income taxes	—
Total comprehensive income	\$ 4.5

See accompanying Notes to Financial Statements.

CAESARS ACQUISITION COMPANY
STATEMENT OF STOCKHOLDERS' EQUITY
(In millions)

	Class A Common Stock	Additional Paid- in Capital	Retained Earnings	Total Equity
Balance at February 25, 2013	\$ —	\$ —	\$ —	\$ —
Net income	—	—	4.5	4.5
Initial public offering	0.1	1,173.0	—	1,173.1
Restoration of value of subscription rights to Caesars Entertainment	—	(21.1)	—	(21.1)
Issuance costs	—	(10.8)	—	(10.8)
Balance at December 31, 2013	\$ 0.1	\$ 1,141.1	\$ 4.5	\$ 1,145.7

See accompanying Notes to Financial Statements.

CAESARS ACQUISITION COMPANY
STATEMENT OF CASH FLOWS
(In millions)

	February 25, 2013 Through December 31, 2013	
Cash flows from operating activities		
Net income	\$	4.5
Adjustments to reconcile net income to cash flows provided by operating activities		
Income from equity method investment in Caesars Growth Partners, LLC		(7.3)
Distribution from equity method investee Caesars Growth Partners, LLC		6.6
Net change in deferred income taxes		(1.7)
Net change in working capital accounts		(2.1)
Cash flows provided by operating activities		—
Cash flows from investing activities		
Purchase of investment in Caesars Growth Partners, LLC		(1,173.1)
Cash flows used in investing activities		(1,173.1)
Cash flows from financing activities		
Issuance of common stock		1,173.1
Cash flows provided by financing activities		1,173.1
Net increase in cash and cash equivalents		—
Cash and cash equivalents, beginning of period		—
Cash and cash equivalents, end of period	\$	—

See accompanying Notes to Financial Statements.

CAESARS ACQUISITION COMPANY
NOTES TO FINANCIAL STATEMENTS

Note 1 — Description of Business and Summary of Significant Accounting Policies

Organization and Description of Business

Caesars Acquisition Company (the "Company," "CAC," "we," "our" and "us"), a Delaware corporation, was formed on February 25, 2013 to make an equity investment in Caesars Growth Partners, LLC ("CGP LLC"), a joint venture between CAC and subsidiaries of Caesars Entertainment Corporation ("CEC" or "Caesars Entertainment"), and following the transactions described below, directly owns 100% of the voting membership units of CGP LLC, a Delaware limited liability company. CGP LLC was formed on July 16, 2013 for the purpose of acquiring certain businesses and assets of Caesars Entertainment and to pursue high-growth operating assets.

On October 21, 2013, the joint venture was formed between subsidiaries of Caesars Entertainment and CAC through the execution of the series of transactions described below (which are collectively referred to as the "Transactions"):

- (i) The Class A common stock of CAC was made available via a subscription rights offering by Caesars Entertainment to its shareholders as of October 17, 2013 (the "Rights Offering"), whereby each subscription right entitled its holder to purchase from CAC one share of CAC's Class A common stock or the right to retain such subscription right;
- (ii) Affiliates of Apollo Global Management, LLC ("Apollo") and affiliates of TPG Global, LLC ("TPG" and, together with Apollo, the "Sponsors") exercised their basic subscription rights in full and purchased \$457.8 million worth of CAC's Class A common stock at a price of \$8.64 per whole share;
- (iii) CAC used the proceeds from the exercise of the basic subscription rights in clause (ii) above to purchase 100% of the voting units of CGP LLC;
- (iv) CGP LLC subsequently used \$360.0 million of the proceeds received from CAC in clause (iii) above to purchase from Caesars Entertainment Operating Company, Inc. ("CEOCC"), a wholly-owned subsidiary of Caesars Entertainment (we refer to the following assets as the "Purchased Assets"):
 - a. the equity interests of PHWLV, LLC ("PHWLV"), which holds the Planet Hollywood Resort & Casino in Las Vegas ("Planet Hollywood");
 - b. the equity interests of Caesars Baltimore Investment Company, LLC (the "Maryland Joint Venture") the entity that indirectly holds interests in the owner of the Horseshoe Baltimore Casino ("Horseshoe Baltimore") in Maryland, a licensed casino development project expected to open in the third quarter of 2014; and
 - c. a 50% interest in the management fee revenues of PHW Manager, LLC, which manages Planet Hollywood, and Caesars Baltimore Management Company LLC, which holds an agreement to manage the Maryland Joint Venture.
- (v) Caesars Entertainment contributed all of the shares of Caesars Interactive Entertainment, Inc.'s ("CIE") outstanding common stock held by a subsidiary of Caesars Entertainment and approximately \$1.1 billion in aggregate principal amount of senior notes held by a subsidiary of Caesars Entertainment (the "CEOCC Notes" and, together with the shares of CIE, the "Contributed Assets") to CGP LLC, in exchange for all of CGP LLC's non-voting units.

Prior to the consummation of the Transactions, Planet Hollywood was owned by PHW Las Vegas, LLC ("PHW Las Vegas"). On October 21, 2013, in connection with and prior to the closing of the Transactions, PHW Las Vegas contributed and assigned to PHWLV, a wholly-owned subsidiary of PHW Las Vegas, and PHWLV accepted and assumed from PHW Las Vegas, all of its assets and liabilities of PHW Las Vegas, including Planet Hollywood.

The closing of the Rights Offering for subscription rights not previously exercised by the Sponsors, and for any over-subscription privileges including over-subscription privileges exercised by the Sponsors, occurred on November 18, 2013 and CAC distributed a total of 135,771,882 shares of Class A common stock to the holders of subscription rights who validly exercised their subscription rights and paid the subscription price in full. CAC received aggregate gross proceeds from the Rights Offering of approximately \$1,173.1 million . Effective November 19, 2013, our common stock trades on the NASDAQ Global Select Market under the symbol "CACQ."

Pursuant to the terms of the Transactions, CGP LLC is obligated to issue additional non-voting membership units to Caesars Entertainment to the extent that the earnings from CIE's social and mobile games business exceeds a specified threshold

amount in 2015. The number of units to be issued is capped at a value of \$225 million divided by the value of the non-voting units at the date of the Transactions.

Basis of Presentation

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), which require the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of expenses during the reporting periods. Management believes the accounting estimates are appropriate and reasonably stated. However, due to the inherent uncertainties in making these estimates, actual amounts could differ.

In the opinion of management, the accompanying financial statements include all adjustments necessary for a fair presentation of the financial position as of the dates presented.

As a parent entity of an equity method investee whose complete consolidated financial statements are included in this financial report, segment reporting is not required.

Principles of Consolidation

We consolidate into our financial statements the accounts of all wholly-owned subsidiaries and any partially-owned subsidiary that we have the ability to control. Control generally equates to ownership percentage, whereby investments that are more than 50% owned are consolidated, investments in affiliates of 50% or less but greater than 20% are generally accounted for using the equity method, and investments in affiliates of 20% or less are accounted for using the cost method. Up through and including December 31, 2013, we had no wholly-owned subsidiaries or any partially-owned subsidiaries.

We also consolidate into our financial statements the accounts of any variable interest entity for which we are determined to be the primary beneficiary. Up through and including December 31, 2013, we analyzed our variable interests to determine if the entity that is party to the variable interest is a variable interest entity in accordance with GAAP. Our analysis included both quantitative and qualitative reviews. Qualitative analysis is based on our review of the design of the entity, its organizational structure including decision-making ability, financial agreements, and operating agreements.

Following consummation of the Transactions, CAC serves as CGP LLC's managing member and sole holder of all of its outstanding voting units, and subsidiaries of Caesars Entertainment hold all of CGP LLC's outstanding non-voting units. However, based upon the structure of CGP LLC and the related economics, CGP LLC has been determined to be a variable interest entity of which Caesars Entertainment is the primary beneficiary. Therefore, CAC does not consolidate CGP LLC into its financial statements. Instead, CAC accounts for its investment in CGP LLC using a balance sheet approach to the equity method of accounting, referred to as hypothetical liquidation at book value ("HLBV") accounting.

Up through and including December 31, 2013, we had no consolidated variable interest entities.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with maturities of less than three months from the date of purchase and are stated at the lower of cost or market value.

Equity method investment in Caesars Growth Partners, LLC

We account for our investment in CGP LLC using the HLBV form of the equity method of accounting. Under the HLBV form of equity method accounting, we record our interest in the CGP LLC entity based upon our contractual claim on CGP LLC's accounting balance sheet pursuant to the mandatory liquidation provisions of the CGP Operating Agreement. Under this approach, our income or loss that we recognize in any period will represent the increase or decrease in our claim on CGP LLC's balance sheet assuming a hypothetical liquidation at the end of that reporting period when compared with our claim on CGP LLC's balance sheet assuming a hypothetical liquidation at the beginning of that reporting period, after removing any contributions or distributions. See Note 3 — Equity Method Investment in Caesars Growth Partners, LLC .

We review this investment quarterly for indicators of other-than-temporary impairment. This determination requires significant judgment. In making this judgment, we consider available quantitative and qualitative evidence in evaluating potential impairment of this investment. If the carrying value of our investment exceeds its fair value, we will evaluate, among other factors, general market conditions, the duration and extent to which the fair value is less than our carrying value, and our intent and ability to hold, or plans to sell, the investment. We also consider specific adverse conditions related to the financial health of and business outlook for the investee, CGP LLC, including industry and sector performance, changes in technology, and operational and financing cash flow factors. Once a decline in fair value is determined to be other-than-temporary, an impairment charge will be recorded and a new carrying basis in the investment will be established.

Income Taxes

CAC is subject to the statutory tax jurisdictions of the United States and the State of Maryland. Income taxes are recorded under the asset and liability method, whereby deferred tax assets and liabilities are recognized based on the expected future tax consequences of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and attributable to operating loss and tax credit carryforwards. The carrying amounts of deferred tax assets are reduced by a valuation allowance if, based on the available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets are assessed periodically based on the more likely than not realization threshold. This assessment considers, among other matters, the nature, frequency, and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, our experience with operating loss and tax credit carryforwards not expiring unused, and tax planning alternatives.

The effect on the income tax provision and deferred tax assets and liabilities of a change in tax rates are recognized in income in the period that includes the enactment date. We record reserves for tax uncertainties separate from any related income tax payable or deferred income taxes. Reserve amounts relate to any potential income tax liabilities resulting from uncertain tax positions, as well as potential interest or penalties associated with those liabilities.

Note 2 — Recently Issued Accounting Pronouncements

Requirements for an Emerging Growth Company

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

In addition, Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards such that an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to delay such adoption of new or revised accounting standards, and as a result, we may not comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. As a result, our financial statements may not be comparable to the financial statements of other public companies.

Recently Issued Accounting Pronouncements

We have assessed recently issued guidance by the FASB and have determined there are no recently issued accounting pronouncements that will have a material impact on our financial position or results of operations.

Note 3 — Equity Method Investment in Caesars Growth Partners, LLC

We account for our investment in CGP LLC using the HLBV form of the equity method of accounting. Under HLBV, we determine our share of the earnings or losses in CGP LLC by determining the difference between our claim on CGP LLC's book value at the end and beginning of the period. This claim is calculated as the amount that we would receive (or be obligated to pay) if CGP LLC were to liquidate all of its net assets at recorded amounts determined in accordance with GAAP and distribute the resulting cash to us in accordance with our respective liquidation priorities. CAC's claim on CGP LLC's book value is based on the terms of the CGP operating agreement, which generally requires the allocation of the net proceeds of a liquidation of CGP LLC as follows:

1. First, to the voting units held by CAC, to the extent of contributed capital and an annually compounded preferred return of 10.5% on the invested portion of CAC's contributed capital;
2. Second, to the non-voting units held by Caesars Entertainment and/or its subsidiaries until Caesars Entertainment catches up (on a per unit basis) to its respective amount distributed in provision (1) (including the 10.5% per annum of return on investment);
3. Finally, to all unit holders on a pro-rata basis.

Based on CGP LLC's loss for the period from October 22, 2013 through December 31, 2013, our earnings for the period were equal to our preferred return of 10.5% of our \$360 million invested capital as described above.

Our investee, CGP LLC, had the following financial results for the period from October 22, 2013 through December 31, 2013 (see CGP LLC financial statements in Exhibit 99.1):

<u>(In millions)</u>	October 22, 2013 Through December 31, 2013			
Statement of Operations				
Revenues				
Interactive Entertainment	\$	74.0		
Casino Properties and Developments		67.7		
Net revenues		141.7		
Operating expenses				
Interactive Entertainment - Direct		22.3		
Casino Properties and Developments - Direct		29.0		
Property, general, administrative and other		92.5		
Depreciation and amortization		8.8		
Change in fair value of contingently issuable non-voting membership units		138.7		
Change in fair value of contingent consideration		2.9		
Total operating expenses		294.2		
Loss from operations		(152.5)		
Interest expense, net of interest capitalized		(11.9)		
Interest income - related party		35.8		
Loss on extinguishment of debt		(0.9)		
Loss before provision for income taxes		(129.5)		
Provision for income taxes		(2.6)		
Net loss		(132.1)		
Less: net loss attributable to non-controlling interests		4.6		
Net loss attributable to Caesars Growth Partners, LLC	\$	(127.5)		
Balance Sheet Data (at period end)				
Current assets	\$	1,103.5		
Long-term assets		2,075.0		
Current liabilities		232.5		
Long-term liabilities		1,147.6		
Redeemable non-controlling interests		3.9		
Non-redeemable non-controlling interests		44.8		

Note 4 — Stockholders' Equity and Income Per Share

Stockholders' Equity

Common Stock

As of February 25, 2013 (the date of incorporation), the Company was authorized to issue 1,000 shares of common stock, par value \$0.001. In connection with the Transactions, the Certificate of Incorporation was amended and restated to authorize the Company to issue 1,200,000,000 shares of common stock, par value \$0.001 per share (the "Common Stock"). The Common Stock consists of two classes: 300,000,000 shares of Class A common stock and 900,000,000 shares of Class B common stock. The holders of shares of Class A common stock shall be entitled to one vote for each such share of Class A common stock on all matters to be voted on by the stockholders of the corporation. The holders of shares of Class B common stock shall not be entitled to vote. As of December 31, 2013, CAC had issued a total of 135,771,882 shares of Class A common stock and no shares of Class B common stock.

Call Right

Pursuant to the certificate of incorporation of CAC and the CGP Operating Agreement, after October 21, 2016, Caesars Entertainment and/or its subsidiaries will have the right, which it may assign to any of its affiliates or to any transferee of all non-voting units of CGP LLC held by subsidiaries of Caesars Entertainment, to acquire all or a portion of the voting units of CGP LLC (or, at the election of CAC, shares of CAC's Class A common stock) not otherwise owned by Caesars Entertainment

and/or its subsidiaries at such time. The purchase consideration may be, at Caesars Entertainment's option, cash or shares of Caesars Entertainment's common stock valued at market value, net of customary market discount and expenses, provided that the cash portion will not exceed 50% of the total consideration in any exercise of the call right. The purchase price will be the greater of (i) the fair market value of the voting units of CGP LLC (or shares of CAC's Class A common stock) at such time based on an independent appraisal or (ii) the initial capital contribution in respect of such units plus a 10.5% per annum return on such capital contribution, subject to a maximum return on such capital contribution of 25% per annum, taking into account prior distributions with respect to such units.

The call right may be exercisable in part by Caesars Entertainment (up to three times), but until the call right is exercised in full, any voting units of CGP LLC (or shares of CAC's Class A common stock) acquired by Caesars Entertainment will be converted into non-voting units of CGP LLC (or non-voting shares of CAC's Class B common stock). Additionally, the call right may only be exercised by Caesars Entertainment and/or its subsidiaries if, at the time of such exercise, (w) Caesars Entertainment and CAC enter into a resale registration rights agreement with respect to the shares of Caesars Entertainment common stock used as all or a portion of the purchase consideration in connection with the exercise of the call right, (x) the common stock of Caesars Entertainment (i) is registered with the Securities and Exchange Commission, (ii) is listed for trading and trades on a national securities exchange, and (iii) issuable upon exercise of the call right will represent, in the aggregate, not more than one half of the total Caesars Entertainment's common stock issued and outstanding giving effect to the exercise of the call right, (y) Caesars Entertainment has a minimum liquidity of \$1.0 billion and a maximum net debt leverage ratio of 9.00 to 1.00, and (z) no event of default has occurred and is in effect under any financing agreement of Caesars Entertainment or its subsidiaries. Further, in the event that a stockholder vote of Caesars Entertainment is required in connection with the exercise of such call right, receipt of affirmative approval of such vote will be a condition to the exercise of the call right and at the closing of the Transactions, affiliates of the Sponsors will enter into a voting support agreement in favor of any such stockholder approval. In addition, a majority of the independent directors of the board of directors of Caesars Entertainment must approve the exercise of the call right by Caesars Entertainment and/or its subsidiaries. The call right will be transferable to a transferee that also receives a transfer of all the non-voting units of CGP LLC, and exercisable by the transferee upon the same terms and conditions as apply to Caesars Entertainment and its subsidiaries.

Following October 21, 2018 and until April 21, 2022, our Board will have the right to cause a liquidation of CGP LLC, including the sale or winding up of CGP LLC, or other monetization of all of its assets and the distribution of the proceeds remaining after satisfaction of all liabilities of CGP LLC to the holders of CGP LLC's units according to the waterfall described below. On April 21, 2022 (unless otherwise agreed by Caesars Entertainment and CAC), if our Board has not previously exercised its liquidation right, the CGP Operating Agreement provides that CGP LLC shall, and our Board shall cause CGP LLC to effect a liquidation.

Upon a liquidation, partial liquidation or sale of material assets, all net cash and other assets not monetizable of CGP LLC shall, subject to applicable gaming regulatory laws, be distributed as follows: (i) first, to all units held by CAC until amounts distributed equal return of CAC's initial capital contribution plus a 10.5% per annum of return on such capital contribution (such return to begin accruing on the proceeds in excess of the purchase price of Planet Hollywood, Horseshoe Baltimore and 50% of the related management fees only upon the investment of such excess proceeds by CGP LLC); (ii) second, to all units held by Caesars Entertainment and/or its subsidiaries until Caesars Entertainment catches up to its respective amount distributed in provision (i) (including the 10.5% per annum of return on the initial capital contribution) and (iii) third, to all holders of units pro rata.

The structure pursuant to which CGP LLC will effect a liquidating distribution, sale of CGP LLC or other similar transaction that provides liquidity to the holders of CGP LLC's units as described above will be determined by a special-purpose Liquidation Committee that will include representatives from Caesars Entertainment and CAC. In connection with any liquidation of CGP LLC, CAC will have an approval right over any sale or other monetization of assets of CGP LLC that would not exceed the greater of (x) the book value of CGP LLC, and (y) the value of CGP LLC as determined by an appraiser selected by CAC.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of only net income, net of taxes. For the year ended December 31, 2013 , there were no amounts reclassified out of Accumulated other comprehensive income.

Earnings Per Share

Basic earnings per share is calculated by dividing income, net of income taxes, by the weighted average number of common shares outstanding as of December 31, 2013 . There were no dilutive shares and there were no anti-dilutive shares excluded from the computation of diluted income per share for the period from February 25, 2013 through December 31, 2013 .

Note 5 — Income Taxes

The components of income before income taxes and the related provision for U.S. and other income taxes were as follows:

<u>(In millions)</u>	<u>February 25, 2013 Through December 31, 2013</u>	
Income before Income Taxes		
United States	\$	6.9
Outside of the United States	—	—
Total income before income taxes	<u>\$</u>	<u>6.9</u>

<u>(In millions)</u>	<u>February 25, 2013 Through December 31, 2013</u>	
Income Tax Provision		
United States		
Current (Federal)	\$	4.1
Deferred (Federal)	(1.7)	(1.7)
Outside of the United States		
Current	—	—
Deferred	—	—
Total income tax provision	<u>\$</u>	<u>2.4</u>

The differences between the United States statutory federal income tax rate and the effective tax rate expressed as a percentage of income before taxes were as follows:

	<u>February 25, 2013 Through December 31, 2013</u>	
Statutory tax rate	35.0 %	
Increases/(decreases) in tax resulting from:		
Federal tax credits	(0.2)	
Effective tax rate	<u>34.8 %</u>	

The major components of the Deferred tax assets and liabilities in our Balance Sheet were as follows:

<u>(In millions)</u>	<u>December 31, 2013</u>	
Deferred tax assets		
Investment in CGP LLC	\$	2.1
Total deferred tax assets	<u>\$</u>	<u>2.1</u>
Deferred tax liabilities		
Prepaid expenses	\$	0.4
Total deferred tax liabilities	<u>\$</u>	<u>0.4</u>
Net deferred tax asset	<u>\$</u>	<u>1.7</u>

CAC is sufficiently profitable or otherwise has sufficient control over the reversibility of its deferred tax liabilities such that no valuation allowance is necessary against the federal or state deferred tax assets.

CAC recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. CAC had no uncertain tax positions in 2013.

CAC files income tax returns with federal and state jurisdictions. The 2013 tax year is open for examination for CAC's federal and state jurisdictions.

Note 6 — Fair Value Measurements

The fair value hierarchy defines fair value as an exit price, representing the amount that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based upon assumptions that market participants would use in pricing an asset or liability. The fair value hierarchy establishes three tiers, which prioritize the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

We do not have assets or liabilities that are measured at fair value on a recurring basis. Accordingly, we have not recognized impairment charges for asset and liabilities measured at fair value on a nonrecurring basis during the period from February 25, 2013 through December 31, 2013.

Note 7 — Litigation

From time to time, CAC, Predecessor Growth Partners, or CGP LLC may be subject to legal proceedings and claims in the ordinary course of business.

Multiple lawsuits have been filed against CBAC Gaming, LLC ("CBAC"), the City of Baltimore, the MDE and other parties in relation to the proposed location and the development of Horseshoe Baltimore. These cases allege violations of various environmental laws, violations of zoning laws and public nuisance, among other claims. Although CAC, Predecessor Growth Partners, and CGP LLC believe that they have adequate defenses to these claims, an adverse judgment could result in additional costs, delays in construction, or injunctions.

In November 2012, the MDE granted approval of the Maryland Joint Venture's amended RAP under MDE's Voluntary Cleanup Program that named the Maryland Joint Venture, rather than the City of Baltimore, as the party that will implement the RAP and redevelop the proposed location of Horseshoe Baltimore. On February 20, 2013, a group of local residents working with the non-profit Inner Harbor Stewardship Foundation (the "Foundation") filed a complaint in the Maryland Circuit Court challenging the legality of the MDE's approval of the amended RAP. In the case, known as Ruth Sherrill, et al. v. State of Maryland Department of the Environment, et al., the Plaintiffs claimed that the amended RAP was approved without complying with the public notice and participation requirements of Maryland law. The plaintiffs sought additional public notice and participation, and to obtain an injunction on, among other things, any construction activities at the site pending the resolution of the case. On March 14, 2013, the court denied the plaintiffs' motion for a Temporary Restraining Order and Preliminary Injunction ("TRO"). The plaintiffs' appeal of the TRO ruling was dismissed. On April 22, 2013, the plaintiffs filed an amended complaint adding a public nuisance claim to their original complaint. The Maryland Joint Venture filed a motion to dismiss the plaintiffs' amended complaint and a hearing was held on the motion on June 14, 2013. The amended complaint was dismissed on November 6, 2013. The plaintiffs filed a notice of appeal on December 6, 2013 and oral arguments are scheduled for September 2014.

The plaintiffs issued a notice of intent to file a citizen suit under 42 U.S.C. §§ 6972(a)(1)(A) and (a)(1)(B) of the Resource Conservation and Recovery Act. This notice of intent indicated an intention to sue CBAC, the City of Baltimore, Whiting-Turner, the general contractor for the construction of the Horseshoe Casino, and the Maryland Chemical Company, the former owner and operator of the site. The citizen suit was filed on September 19, 2013, but did not name Whiting-Turner. The defendants filed motions to dismiss on October 15, 2013 for lack of subject matter jurisdiction and failure to state a claim to which plaintiffs responded on November 1, 2013. No hearing has been set on the motions to dismiss.

The decision of the Board of Municipal Zoning Appeals to grant variances for the site for Horseshoe Baltimore was appealed by separate parties on the basis of alleged procedural irregularities. The appeals were dismissed for lack of standing on October 11, 2013 and no appeal of that decision was timely filed.

On August 1, 2013, ten individuals claiming to represent a class of similarly situated individuals filed a complaint in the U.S. District Court for the Northern District of Maryland against the Maryland Department of the Environment, the City of Baltimore, the U.S. Environmental Protection Agency, CBAC Gaming, LLC, Whiting-Turner Contracting Company, and Urban Green Environmental, LLC. The 11 count complaint alleged that the RAP for the proposed location of Horseshoe Baltimore is inadequate and approved without appropriate public participation. Plaintiffs seek declaratory and injunctive relief, compensatory and punitive damages, and claim violations of civil rights laws and the Clean Water Act, civil conspiracy, and a variety of torts.

The plaintiffs also sought a temporary restraining order, which the District Court denied on August 9, 2013. Plaintiffs amended their complaint on November 15, 2013 and again on December 26, 2013, adding 44 new plaintiffs and naming MDE, the Secretary of MDE, the City of Baltimore, the Mayor of the City of Baltimore, the Baltimore Development Corporation, and CBAC Gaming and CBAC Borrower as defendants. The defendants filed motions to dismiss on January 27, 2014 and plaintiffs filed their oppositions on February 28, 2014.

From time to time, the City of Baltimore may be subject to legal proceedings asserting claims related to the site. At this time, CAC, Predecessor Growth Partners, and CGP LLC have not been named as parties to these proceedings. However, an unfavorable outcome for the City of Baltimore could lead to construction delays if it were determined that corrective action was required and could not be implemented successfully offsite.

Four residents of Baltimore City and County issued a notice of intent to file a citizen suit under 33 U.S.C. § 1365(b) of the Clean Water Act against the City of Baltimore as owner of the site for water pollution alleged to originate there. A lawsuit was filed on behalf of two of the residents on July 2, 2013. The City of Baltimore moved to dismiss the complaint on August 28, 2013. One of the plaintiffs withdrew from the case on October 10, 2013. The U.S. District Court for the District of Maryland dismissed the case without prejudice on January 7, 2014 for lack of standing.

Two residents of Baltimore City filed suit on May 20, 2013 against the City of Baltimore, as owner of the site, alleging that the City of Baltimore was in violation of Maryland water pollution laws as a result of groundwater contamination alleged to be migrating from the site. The City of Baltimore was served with the complaint on June 12, 2013. An amended complaint was filed on July 19, 2013, which the City of Baltimore moved to dismiss on August 6, 2013. Plaintiffs dismissed the complaint without prejudice on September 12, 2013.

Note 8 — Supplemental Cash Flow Information

The change in cash and cash equivalents due to the changes in working capital accounts were as follows:

<u>(In millions)</u>	<u>February 25, 2013 Through December 31, 2013</u>	
Receivables	\$	(2.5)
Other current assets		(1.1)
Accounts payable		1.4
Payable to related parties		0.1
Net change in working capital accounts	<u>\$</u>	<u>(2.1)</u>

Significant non-cash transactions in 2013 include \$7.3 million in income from our equity method investment in CGP LLC and \$10.8 million of fees and expenses paid by CGP LLC that were incurred in connection with the Transactions by CGP LLC and accounted for as a non-cash distribution from CGP LLC to CAC thereby reducing CAC's investment in CGP LLC.

There was no interest expense incurred or cash paid for interest during the periods presented.

CGP LLC distributed \$6.6 million to us and we subsequently paid \$6.6 million in cash for income taxes. Additionally, CEC received a \$9.0 million comparable distribution to maintain each party's relative ownership interest in CGP LLC.

Note 9 — Related Party Transactions

Management Services Agreement with CEOC

Upon closing of the Transactions, CAC entered into a management services agreement with CEOC and CGP LLC (the "CGP Operating Agreement") pursuant to which CEOC and its subsidiaries provide certain services. The agreement, among other things:

- provides that CEOC and its subsidiaries provide (a) certain corporate services and back office support, including payroll, accounting, risk management, tax, finance, recordkeeping, financial statement preparation and audit support, legal, treasury functions, regulatory compliance, insurance, information systems, office space and corporate, and other centralized services and (b) certain advisory and business management services, including developing business strategies, executing financing transactions and structuring acquisitions and joint ventures;
- allows the parties to modify the terms and conditions of CEOC's performance of any of the services and to request additional services from time to time; and
- provides for payment of a service fee to CEOC in exchange for the provision of services, plus a margin of 10% .

At December 31, 2013 , we had a payable of \$0.1 million related to the services provided in connection with CGP Operating Agreement.

Rights Offering Fees and Expenses

CGP LLC paid approximately \$10.8 million on CAC's behalf for fees and expenses that were incurred in connection with the Transactions by CGP LLC and accounted for as non-cash distributions from CGP LLC to CAC thereby reducing CAC's investment in CGP LLC. See Note 1 — Description of Business and Summary of Significant Accounting Policies .

Note 10 — Subsequent Events

Asset Sale Transaction Agreement

On March 1, 2014, CAC entered into a Transaction Agreement (the "Agreement") by and among, Caesars Entertainment, CEOC, Caesars License Company, LLC ("CLC"), Harrah's New Orleans Management Company ("HNOMC"), Corner Investment Company, LLC ("CIC"), 3535 LV Corp. ("3535 LV"), Parball Corporation ("Parball"), JCC Holding Company II, LLC ("JCC Holding"), CAC and CGP LLC. The Agreement was fully negotiated by and between a Special Committee of CEC's Board of Directors (the "CEC Special Committee") and a Special Committee of CAC's Board of Directors (the "CAC Special Committee"), each comprised solely of independent directors, and was recommended by both committees and approved by the Boards of Directors of CEC and CAC. The CEC Special Committee, the CAC Special Committee and the Boards of Directors of CEC and CAC each received fairness opinions from firms with experience in valuation matters, which stated that, based upon and subject to (and in reliance on) the assumptions made, matters considered and limits of such review, in each case as set forth in the opinions, the Purchase Price (as defined below) was fair from a financial point of view to CEC and CGP LLC, respectively.

Pursuant to the terms of the Agreement, CGP LLC (or one or more of its designated direct or indirect subsidiaries) agreed to acquire from CEOC or one or more of its affiliates, (i) The Cromwell (f/k/a Bill's Gamblin' Hall & Saloon), The Quad Resort & Casino ("The Quad"), Bally's Las Vegas and Harrah's New Orleans (each a "Property" and collectively, the "Properties"), (ii) 50% of the ongoing management fees and any termination fees payable under the Property Management Agreements to be entered between a Property Manager (as defined below) and the owners of each of the Properties (the "Property Management Agreements"); and (iii) certain intellectual property that is specific to each of the Properties (together with the transactions described in (i) and (ii) above, the "Asset Sale Transaction") for an aggregate purchase price of US \$2.0 billion (the "Purchase Price"), less outstanding debt to be assumed in the Asset Sale Transaction, and also subject to various pre-closing and post-closing adjustments in accordance with the terms of the Agreement.

The Asset Sale Transaction is subject to certain closing conditions, including the receipt of gaming and other required governmental approvals, accuracy of representations and warranties, compliance with covenants and receipt by CEC and the CEC Special Committee of certain opinions with respect to CEOC. In addition, the consummation of the Asset Sale Transaction by CAC is subject to CAC's receipt of financing on terms and conditions satisfactory to CAC and CGP LLC. The Agreement provides that, at the closing of the Asset Sale Transaction (the "Closing"), the owner of each Property will enter into a Property Management Agreement with the applicable Property Manager, pursuant to which, among other things, the Property Managers will provide management services to the applicable Property and CLC will license enterprise-wide intellectual property used in the operation of the Properties.

The Agreement contains customary indemnification obligations of each party with respect to breaches of their respective representations, warranties, covenants and obligations, and certain other designated matters, which in certain circumstances are subject to specified limitations on the amount of indemnifiable damages and the survival period in which a claim may be made. Additional indemnification obligations of CEC and the Sellers (as defined in the Agreement) include amounts expended for new construction and renovation at The Quad in excess of the \$223 million budgeted for renovation expenses (up to a maximum amount equal to 15% of such budgeted amount and subject to certain exceptions) and certain liabilities arising under employee benefit plans. In addition to the aforementioned indemnification obligations, the Agreement requires that CEOC ensure that the remaining amounts required to construct and open The Cromwell be fully-funded by CEOC, including providing a minimum amount of House Funds (as defined in the Agreement) in connection with the opening of The Cromwell. CEC and certain of its affiliates will indemnify CAC, CGP LLC and certain of their affiliates for a failure to open the hotel and casino at The Cromwell by a specified date and for failure to open the restaurant and nightclub at The Cromwell by a specified date.

The Property Management Agreements will be entered into at Closing by and between each of the four property management entities (each a "Property Manager" and collectively, the "Property Managers"), each of which (other than HNOMC, which is the existing manager of Harrah's New Orleans) will be formed as a wholly-owned subsidiary of CEOC, and each of the respective owners of the Properties (the "Property Owners"). The ongoing management fees payable to each of the Property Managers consists of a (i) base management fee of 2% of net operating revenues with respect to each month of each

year during the term of such agreement and (ii) an incentive management fee in an amount equal to 5% of EBITDA for each operating year. CEOC will guarantee the obligations of the Property Managers under each of the Property Management Agreements.

Pursuant to the terms of the Agreement, the parties have agreed to use reasonable best efforts to establish a new services joint venture (the "Services JV") which will be jointly owned by CEOC, Caesars Entertainment Resort Properties LLC ("CERP"), and CGP LLC and certain of their respective subsidiaries. The purpose of the Services JV includes the common management of the enterprise-wide intellectual property, which will be licensed by the Services JV to, among other parties, each of the Property Owners, and shared services operations across the portfolio of CEOC, CERP and CGP LLC properties. The principal anticipated terms of the Services JV contemplated by the Agreement include the following: (i) CEOC will provide the Services JV with a non-exclusive, irrevocable, royalty-free license that includes the intellectual property that CEOC and its subsidiaries own but are used in the operation of CERP and CGP LLC assets under shared services agreements, or known as Enterprise Assets. CEOC and its subsidiaries will continue to own the assets licensed; (ii) Contribution to the Services JV by CGP LLC and CERP of cash in an amount to be determined; and (iii) Services JV will use cash contributions for capital expenditures relating to the maintenance, operation and upkeep of the Enterprise Assets and the acquisition of any new additional assets or services in connection with providing enterprise services to its members. The users of the services will reimburse Services JV for its share of any allocated expenses of Services JV attributable to such user, consistent with existing arrangements. The ultimate terms of the Services JV are subject to finalization and required regulatory approvals. Following the Closing, at CGP LLC's request and subject to receipt of any required regulatory approvals, the Property Management Agreements will be assigned to the Services JV which will thereafter perform the obligations of the Property Managers (in which case CEOC's guarantee of the obligations under the assigned Property Management Agreements will be released).

The Agreement is subject to termination if the Closing is not completed by June 30, 2014, which date may be extended until August 31, 2014 in certain circumstances.

The representations and warranties set forth in the Agreement have been made only for the purposes of such agreement and were solely for the benefit of the parties to the Agreement, may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures, may have been made for the purposes of allocating contractual risk between the parties to the Agreement instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors.

The foregoing description of the Agreement is only a summary, does not purport to be complete and is qualified in its entirety by reference to the full text of the Agreement which was filed with the SEC on March 3, 2014 as an Exhibit to Form 8-K.

In connection with the Asset Sale Transaction, on March 1, 2014, Caesars Growth Properties Holdings, LLC ("CGPH"), a wholly-owned subsidiary of CGP LLC, entered into a commitment letter (the "Commitment Letter") with Citigroup Global Markets Inc., Citibank, N.A., Citicorp USA, Inc., Citicorp North America, Inc. ("Citi"), Credit Suisse AG ("CS"), Deutsche Bank AG New York Branch and Cayman Islands Branch ("DB") and UBS AG, Stamford Branch ("UBS", together with Citi, CS and DB, the "Lenders"), pursuant to which, subject to the conditions set forth therein, the Lenders committed to provide \$1.325 billion in senior secured credit facilities (a \$1.175 billion senior secured term facility and a \$150.0 million senior secured revolving facility) and \$675.0 million in second lien indebtedness to consummate the Asset Sale Transaction and to refinance Planet Hollywood Resort & Casino's existing indebtedness, on or prior to the Closing Date.

On March 26, 2014, CAC announced that CGPH launched the syndication of \$1.325 billion of new senior secured credit facilities, consisting of the previously mentioned \$1.175 billion term loan facility and \$150.0 million revolving credit facility.

Potential Allegation

On March 21, 2014, CEC, CEOC, Caesars Entertainment Resort Properties, LLC ("CERP"), CAC and Caesars Growth Partners, LLC received a letter (the "Letter") from a law firm acting on behalf of unnamed clients who claim to hold Second-Priority Secured Notes of CEOC, alleging, among other things, that CEOC is insolvent and that CEOC's owners improperly transferred or seek to transfer valuable assets of CEOC to affiliated entities in connection with: (a) the transaction agreement dated October 21, 2013 by and among CEC, certain subsidiaries of CEC and CEOC, Caesars Acquisition Company and Caesars Growth Partners, LLC, which, among other things, provide for the asset transfers from subsidiaries of CEOC to Caesars Growth Partners, LLC of the Planet Hollywood casino and interests in Horseshoe Baltimore that was consummated in 2013; (b) the transfer by CEOC to CERP of Octavius Tower and Project Linq that was consummated in 2013 ((a) and (b) collectively, the "2013 Transactions"); and (c) the contemplated transfers by CEOC to Caesars Growth Partners of The Cromwell, The Quad, Bally's Las Vegas and Harrah's New Orleans (the "Contemplated Transaction"). The Letter does not identify the holders or specify the amount of Second-Priority Secured Notes or other securities that they may hold. The Letter includes allegations that these transactions constitute or will constitute voidable fraudulent transfers and represent breaches of alleged fiduciary duties owed to CEOC creditors and that certain disclosures concerning the transactions were inadequate. The Letter demands, among

other things, that the transactions be rescinded or terminated, as would be applicable. CAC strongly believes there is no merit to the Letter's allegations and will defend itself vigorously and seek appropriate relief should any action be brought.

Note 11 — Quarterly Results of Operations (Unaudited)

<u>(In millions, except per share data)</u>	February 25 Through March 31	Second Quarter	Third Quarter	Fourth Quarter
February 25, 2013 through December 31, 2013				
Equity method investment income	\$ —	\$ —	\$ —	\$ 7.3
Other revenues	—	—	—	—
Income from operations	—	—	—	6.9
Net income	—	—	—	4.5
Earnings per share - basic and diluted	—	—	—	0.06

FINANCIAL STATEMENTS OF PREDECESSOR GROWTH PARTNERS
EXPLANATORY NOTE

Upon the completion of the Transactions, CAC's sole material asset is its interest in CGP LLC, which is accounted for using the hypothetical liquidation at book value ("HLBV") approach to the equity method of accounting. The assets and entities that were acquired by or contributed to CGP LLC in connection with the Transactions (referred to as Predecessor Growth Partners) are considered to be the predecessor to CAC. Therefore, we have included financial statements of Predecessor Growth Partners in this annual report on Form 10-K as if those businesses and assets were combined into one reporting entity for the periods presented.

These combined financial statements of Predecessor Growth Partners have been prepared on a stand-alone basis and, as the Transactions are considered a transaction between entities under common control, have been derived from the historical accounting records and consolidated financial statements of Caesars Entertainment. The combined historical financial statements consist of the financial position, results of operations and cash flows of the businesses and assets contributed to or acquired by CGP LLC in the Transactions described previously as if those businesses were combined into a reporting entity for all periods presented.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Caesars Entertainment Corporation:

We have audited the accompanying combined financial statements of Caesars Entertainment Corporation's prior interests in Caesars Interactive Entertainment, Inc. and its subsidiaries, Planet Hollywood Resort and Casino, Caesars Baltimore Investment Company, LLC, and senior notes previously issued by a wholly owned subsidiary of Caesars Entertainment Corporation (such interests referred to, in the aggregate, as "Predecessor Growth Partners") as of December 31, 2012, and the related combined statements of operations, comprehensive income/(loss), equity and cash flows for the period from January 1, 2013 through October 21, 2013 (date of Transactions as defined in Note 1 to the accompanying combined financial statements, or "Transactions") and for each of the two years in the period ended December 31, 2012. These combined financial statements are the responsibility of Caesars Entertainment Corporation's management. Our responsibility is to express an opinion on the combined financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Predecessor Growth Partners is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Predecessor Growth Partners' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the financial position of Predecessor Growth Partners as of December 31, 2012, and the results of their operations and their cash flows for the period from January 1, 2013 through October 21, 2013 (date of Transactions), and for each of the two years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the combined financial statements, Caesars Acquisition Company and Caesars Entertainment Corporation consummated the Transactions on October 21, 2013 to form Caesars Growth Partners, LLC. Predecessor Growth Partners is considered the predecessor of Caesars Acquisition Company and represents the assets described above related to the Transactions.

As discussed in Note 18 to the combined financial statements, the combined financial statements include allocations of expenses from Caesars Entertainment Corporation. These allocations may not be reflective of the actual level of costs which would have been incurred had the Predecessor Growth Partners operated as a separate combined entity apart from Caesars Entertainment Corporation.

/s/ Deloitte & Touche LLP

Las Vegas, Nevada
March 28, 2014

PREDECESSOR GROWTH PARTNERS
COMBINED BALANCE SHEET
(In millions)

	December 31, 2012
Assets	
Current assets	
Cash and cash equivalents	\$ 155.6
Short-term investments	7.5
Receivables, net of allowance for doubtful accounts of \$7.6	37.2
Interest receivable from related party	9.5
Deferred tax assets	1.6
Restricted cash	4.4
Prepayments and other current assets	9.1
Total current assets	224.9
Investment in notes from related party	790.6
Land, property and equipment, net	420.4
Goodwill	97.4
Intangible assets other than goodwill, net	176.7
Restricted cash	26.2
Deferred charges and other	2.7
Total assets	\$ 1,738.9
Liabilities and Equity	
Current liabilities	
Accounts payable	\$ 13.9
Payables to related party	19.5
Accrued expenses	52.7
Foreign tax payable	10.9
Current portion of long-term debt to related party	7.0
Total current liabilities	104.0
Long-term debt	459.8
Long-term debt to related party	39.8
Convertible notes issued to related party	47.7
Deferred tax liabilities	146.3
Deferred credits and other	32.1
Total liabilities	829.7
Commitments and contingencies (Note 12)	
Redeemable non-controlling interests	1.3
Equity	
Additional paid-in capital	272.6
Retained earnings	504.4
Accumulated other comprehensive income	116.0
Total equity attributable to Predecessor Growth Partners	893.0
Non-controlling interests	14.9
Total equity	907.9
Total liabilities and equity	\$ 1,738.9

See accompanying Notes to Combined Financial Statements.

PREDECESSOR GROWTH PARTNERS
COMBINED STATEMENTS OF OPERATIONS
(In millions)

	January 1, 2013 Through October 21, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Revenues			
<i>Interactive Entertainment</i>			
Social and mobile games	\$ 232.3	\$ 193.3	\$ 53.9
WSOP and online real money gaming	10.3	14.4	12.6
	<u>242.6</u>	<u>207.7</u>	<u>66.5</u>
<i>Casino Properties and Developments</i>			
Casino	137.1	171.2	167.3
Food and beverage	70.0	69.7	68.4
Rooms	80.1	91.9	94.1
Other	22.6	21.1	25.0
Less: casino promotional allowances	(39.6)	(50.2)	(48.6)
	<u>270.2</u>	<u>303.7</u>	<u>306.2</u>
Net revenues	<u>512.8</u>	<u>511.4</u>	<u>372.7</u>
Operating expenses			
<i>Interactive Entertainment - Direct</i>			
Platform fees	72.5	62.6	16.3
<i>Casino Properties and Developments - Direct</i>			
Casino	59.9	79.2	76.9
Food and beverage	34.8	33.2	32.1
Rooms	21.9	26.7	27.6
Property, general, administrative and other	194.8	189.0	128.3
Depreciation and amortization	35.1	32.2	29.6
Change in fair value of contingent consideration	50.0	—	—
Total operating expenses	<u>469.0</u>	<u>422.9</u>	<u>310.8</u>
Income from operations	43.8	88.5	61.9
Interest expense, net of interest capitalized	(39.7)	(41.7)	(39.9)
Interest income - related party	138.5	145.1	123.7
Loss on extinguishment of debt	(0.7)	—	(2.6)
Other income, net	0.3	1.9	0.1
Income before provision for income taxes	142.2	193.8	143.2
Provision for income taxes	(50.3)	(66.4)	(50.7)
Net income	91.9	127.4	92.5
Less: net loss/(income) attributable to non-controlling interests	5.1	(0.6)	(8.0)
Net income attributable to Predecessor Growth Partners	<u>\$ 97.0</u>	<u>\$ 126.8</u>	<u>\$ 84.5</u>

See accompanying Notes to Combined Financial Statements.

PREDECESSOR GROWTH PARTNERS
COMBINED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(In millions)

	January 1, 2013 Through October 21, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Net income	\$ 91.9	\$ 127.4	\$ 92.5
Other comprehensive income/(loss), net of income taxes:			
Unrealized gain/(loss) on investments in notes from related party	0.5	112.1	(275.1)
Total other comprehensive income/(loss)	0.5	112.1	(275.1)
Comprehensive income/(loss)	92.4	239.5	(182.6)
Less: net loss/(income) attributable to non-controlling interests	5.1	(0.6)	(8.0)
Comprehensive income/(loss) attributable to Predecessor Growth Partners	\$ 97.5	\$ 238.9	\$ (190.6)

See accompanying Notes to Combined Financial Statements.

PREDECESSOR GROWTH PARTNERS
COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions)

	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Non-controlling Interests	Receivables from Caesars Interactive Shareholder	Total Equity
Balance at January 1, 2011	\$ 301.1	\$ 292.6	\$ 279.0	\$ (0.1)	\$ —	\$ 872.6
Net income/(loss)	—	84.5	—	(0.3)	—	84.2
Issuance of Caesars Interactive common stock	11.2	—	—	—	—	11.2
Change in redemption value of redeemable non-controlling interest	(34.1)	—	—	—	—	(34.1)
Stock-based compensation	0.7	—	—	—	—	0.7
Capital contribution	12.5	—	—	9.9	—	22.4
Unrealized loss on investments in notes from related party, net of tax	—	—	(275.1)	—	—	(275.1)
Transactions with related parties	(40.9)	—	—	—	—	(40.9)
Cumulative effect of adoption of new accounting standards	—	0.5	—	—	—	0.5
Balance at December 31, 2011	\$ 250.5	\$ 377.6	\$ 3.9	\$ 9.5	\$ —	\$ 641.5
Net income	—	126.8	—	0.9	—	127.7
Issuance of Caesars Interactive common stock	31.8	—	—	—	—	31.8
Minimum guaranteed receipt from issuance of Caesars Interactive common stock	10.0	—	—	—	(10.0)	—
Settlement of receivable from Caesars Interactive shareholder	(10.0)	—	—	—	10.0	—
Stock-based compensation	3.1	—	—	—	—	3.1
Capital contribution	5.4	—	—	4.5	—	9.9
Unrealized gain on investments in notes from related party, net of tax	—	—	112.1	—	—	112.1
Transactions with related parties	(18.2)	—	—	—	—	(18.2)
Balance at December 31, 2012	\$ 272.6	\$ 504.4	\$ 116.0	\$ 14.9	\$ —	\$ 907.9
Net income/(loss)	—	97.0	—	(4.6)	—	92.4
Issuance of Caesars Interactive common stock	0.6	—	—	—	—	0.6
Purchase of Caesars Interactive management shares	(9.9)	—	—	—	—	(9.9)
Stock-based compensation	0.2	—	—	—	—	0.2
Capital contributions	38.2	—	—	32.2	—	70.4
Unrealized gain on investments in notes from related party, net of tax	—	—	0.5	—	—	0.5
Transactions with related parties	(53.9)	—	—	—	—	(53.9)
Balance at October 21, 2013	<u>\$ 247.8</u>	<u>\$ 601.4</u>	<u>\$ 116.5</u>	<u>\$ 42.5</u>	<u>\$ —</u>	<u>\$ 1,008.2</u>

See accompanying Notes to Combined Financial Statements.

PREDECESSOR GROWTH PARTNERS
COMBINED STATEMENTS OF CASH FLOWS
(In millions)

	January 1, 2013 Through October 21, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Cash flows from operating activities			
Net income	\$ 91.9	\$ 127.4	\$ 92.5
Adjustments to reconcile net income to cash flows provided by operating activities			
Depreciation and amortization	35.1	32.2	29.6
Amortization of debt discount	18.8	21.4	20.1
Loss on early extinguishments of debt	0.7	—	2.6
Change in fair value of contingent consideration	50.0	—	—
Accretion of discount on investments in notes from related party	(83.6)	(77.2)	(56.2)
Paid-in-kind interest	(0.3)	(0.4)	(0.3)
Stock-based compensation expense	13.2	11.4	10.9
Net change in deferred income taxes	5.6	14.3	18.1
Net change in long-term accounts	(2.5)	(2.2)	(2.3)
Net change in working capital accounts	—	21.6	(16.2)
Other non-cash items	(0.8)	(0.4)	(0.8)
Cash flows provided by operating activities	128.1	148.1	98.0
Cash flows from investing activities			
Land, buildings and equipment additions, net of change in construction payables	(57.8)	(16.8)	(6.7)
Acquisitions of intangible assets	(0.6)	—	(22.7)
Purchase of short-term investments	(5.0)	(7.5)	(8.0)
Sale of short-term investments	12.5	8.0	—
Purchase of investments in notes from related party	—	(3.1)	(2.5)
Payments to acquire business, net of cash acquired	(17.3)	(52.7)	(19.0)
Proceeds received from sale of assets	—	0.1	0.8
Change in restricted cash	(226.7)	(2.6)	(11.4)
Cash flows used in investing activities	(294.9)	(74.6)	(69.5)
Cash flows from financing activities			
Issuance of Caesars Interactive common stock and warrant	0.6	32.3	11.2
Purchase of Caesars Interactive management shares	(9.9)	—	—
Purchase of additional interest in subsidiary	—	—	(78.4)
Resolution of contingent consideration for acquired business	—	—	(10.0)
Capital contributions	73.9	10.4	23.5
Issuance of convertible note	—	47.7	—
Debt issuance costs and fees	(10.8)	—	—
Proceeds on guarantee from parent	—	—	—
Proceeds from issuance of long-term debt	214.0	42.0	146.9
Payments on long-term debt to related party	(7.0)	(142.1)	(20.5)
Repayments under lending agreements	(7.7)	(0.1)	(15.0)
Transfers to parent	(53.9)	(18.2)	(40.9)
Cash flows provided by/(used in) financing activities	199.2	(28.0)	16.8
Net increase in cash and cash equivalents	32.4	45.5	45.3
Cash and cash equivalents, beginning of period	155.6	110.1	64.8
Cash and cash equivalents, end of period	\$ 188.0	\$ 155.6	\$ 110.1

See accompanying Notes to Combined Financial Statements.

PREDECESSOR GROWTH PARTNERS
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 — Description of Business and Summary of Significant Accounting Policies

Organization and Transaction

Caesars Acquisition Company (the "Company," "CAC," "we," "our" and "us"), a Delaware corporation, was formed on February 25, 2013 to make an equity investment in Caesars Growth Partners, LLC ("CGP LLC"), a joint venture between CAC and subsidiaries of Caesars Entertainment Corporation ("CEC" or "Caesars Entertainment"), and following the transactions described below, directly owns 100% of the voting membership units of CGP LLC, a Delaware limited liability company. CGP LLC was formed on July 16, 2013 for the purpose of acquiring certain businesses and assets of Caesars Entertainment and to pursue high-growth operating assets.

On October 21, 2013, the joint venture was formed between subsidiaries of Caesars Entertainment and CAC through the execution of the series of transactions described below (which are collectively referred to as the "Transactions"):

- (i) The Class A common stock of CAC was made available via a subscription rights offering by Caesars Entertainment to its shareholders as of October 17, 2013 (the "Rights Offering"), whereby each subscription right entitled its holder to purchase from CAC one share of CAC's Class A common stock or the right to retain such subscription right;
- (ii) Affiliates of Apollo Global Management, LLC ("Apollo") and affiliates of TPG Global, LLC ("TPG" and, together with Apollo, the "Sponsors") exercised their basic subscription rights in full and purchased \$457.8 million worth of CAC's Class A common stock at a price of \$8.64 per whole share;
- (iii) CAC used the proceeds from the exercise of the basic subscription rights in clause (ii) above to purchase 100% of the voting units of CGP LLC;
- (iv) CGP LLC subsequently used \$360.0 million of the proceeds received from CAC in clause (iii) above to purchase from Caesars Entertainment Operating Company, Inc. ("CEOQ"), a wholly-owned subsidiary of Caesars Entertainment (we refer to the following assets as the "Purchased Assets"):
 - a. the equity interests of PHWLV, LLC ("PHWLV"), which holds the Planet Hollywood Resort & Casino in Las Vegas ("Planet Hollywood");
 - b. the equity interests of Caesars Baltimore Investment Company, LLC (the "Maryland Joint Venture"), the entity that indirectly holds interests in the owner of the Horseshoe Baltimore Casino ("Horseshoe Baltimore") in Maryland, a licensed casino development project expected to open in the third quarter of 2014; and
 - c. a 50% interest in the management fee revenues of PHW Manager, LLC, which manages Planet Hollywood, and Caesars Baltimore Management Company LLC, which holds an agreement to manage the Maryland Joint Venture.
- (v) Caesars Entertainment contributed all of the shares of Caesars Interactive Entertainment, Inc.'s ("CIE" or "Caesars Interactive") outstanding common stock held by a subsidiary of Caesars Entertainment and approximately \$1.1 billion in aggregate principal amount of senior notes held by a subsidiary of Caesars Entertainment (the "CEOQ Notes" and, together with the shares of CIE, the "Contributed Assets") to CGP LLC, in exchange for all of CGP LLC's non-voting units.

Prior to the consummation of the Transactions, Planet Hollywood was owned by PHW Las Vegas, LLC ("PHW Las Vegas"). On October 21, 2013, in connection with and prior to the closing of the Transactions, PHW Las Vegas contributed and assigned to PHWLV, a wholly-owned subsidiary of PHW Las Vegas, and PHWLV accepted and assumed from PHW Las Vegas, all of its assets and liabilities of PHW Las Vegas, including Planet Hollywood.

The closing of the Rights Offering for subscription rights not previously exercised by the Sponsors, and for any over-subscription privileges including over-subscription privileges exercised by the Sponsors, occurred on November 18, 2013 and CAC distributed a total of 135,771,882 shares of Class A common stock to the holders of subscription rights who validly exercised their subscription rights and paid the subscription price in full. CAC received aggregate gross proceeds from the Rights Offering of approximately \$1,173.1 million . Effective November 19, 2013, our common stock trades on the NASDAQ Global Select Market under the symbol "CACQ."

Description of Business

Predecessor Growth Partners has two reportable segments: Interactive Entertainment and Casino Properties and Developments. The Interactive Entertainment segment consists of the Caesars Interactive business and the Casino Properties and Developments segment consists primarily of the Planet Hollywood business along with the interest in Horseshoe Baltimore.

Interactive Entertainment

In May 2009, Caesars Interactive was formed by Caesars Entertainment. At December 31, 2012 , Caesars Entertainment owned approximately 119,047 shares of Caesars Interactive's common stock, representing approximately 89.2% of the outstanding shares of Caesars Interactive. The remainder of the outstanding common stock of Caesars Interactive was owned by Rock Gaming LLC ("Rock") and members of the Caesars Interactive management team, representing approximately 4.9% for Rock and 5.9% for management as of December 31, 2012 .

Caesars Interactive is a social and mobile games and online real money gaming provider and owner of the World Series of Poker ("WSOP") brand. In early 2010, Caesars Interactive licensed the WSOP and Caesars brands for use on branded poker, bingo and casino online sites in the United Kingdom. As part of its online strategy, Caesars Interactive will expand its online real money gaming offerings in the United States (the "U.S."), as it becomes legal and regulated, and will offer social and mobile casino-themed game options in those and other jurisdictions. In addition, Caesars Interactive licenses live WSOP tournaments in both the U.S. and international locations.

Casino Properties and Developments

On February 19, 2010, Caesars Entertainment acquired 100% of the equity interests of Planet Hollywood, which owns the Planet Hollywood Resort and Casino, an entertainment facility located in Las Vegas, Nevada, comprised of one casino, a hotel, multiple restaurants and retail outlets.

In July 2012, a consortium led by Caesars Entertainment was awarded the license to operate a casino in downtown Baltimore. In October 2012, Caesars Entertainment entered into definitive agreements with its partners to form a joint venture that will build and own the Horseshoe Baltimore casino (see Note 3 - Development and Acquisition Activity).

Basis of Presentation

The combined financial statements of Predecessor Growth Partners have been prepared on a stand-alone basis and, as the Transactions are considered transactions between entities under common control, include financial information derived from the historical accounting records and consolidated financial statements of Caesars Entertainment Corporation ("Caesars Entertainment").

Use of Estimates

Predecessor Growth Partners' combined financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), which requires management to make estimates and assumptions that affect the reported amounts in the combined financial statements and notes thereto. Significant estimates and assumptions reflected in Predecessor Growth Partners' combined financial statements include, but are not limited to, the estimated consumption rate of virtual goods that it uses for revenue recognition within the Interactive Entertainment segment, useful lives of property, equipment and amortizing intangible assets, income taxes, accounting for stock-based compensation, the valuation of contingent consideration and the evaluation of goodwill and long-lived assets for impairment. Management believes the accounting estimates are appropriate and reasonably determined. However, due to the inherent uncertainties in making these estimates, actual amounts could differ from such estimates.

Principles of Consolidation

Predecessor Growth Partners' combined financial statements include the accounts of Predecessor Growth Partners and its subsidiaries after elimination of all intercompany accounts and transactions. These combined financial statements include the accounts of all wholly-owned subsidiaries and any partially-owned subsidiaries that Predecessor Growth Partners has the ability to control. Control generally equates to ownership percentage, whereby investments that are more than 50% owned are consolidated, investments in affiliates of 50% or less but greater than 20% are generally accounted for using the equity method, and investments in affiliates of 20% or less are accounted for using the cost method.

Predecessor Growth Partners' combined financial statements also include the accounts of any variable interest entity for which Predecessor Growth Partners is determined to be the primary beneficiary. Up through and including October 21, 2013 , Predecessor Growth Partners analyzed its variable interests to determine if the entity that is party to the variable interest is a variable interest entity in accordance with GAAP. This analysis included both quantitative and qualitative reviews. Qualitative analysis was based on Predecessor Growth Partners' review of the design of the entity, its organizational structure including decision-making ability, and financial agreements. Based on these analyses, Predecessor Growth Partners is the primary

beneficiary, and therefore has included the Horseshoe Baltimore development project in Maryland, a variable interest entity venture with Rock, in its combined financial statements.

Transactions between Caesars Entertainment and Predecessor Growth Partners have been identified in the combined historical financial statements and the notes thereto as transactions between related parties (see Note 18 — Related Party Transactions).

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with maturities of less than three months from the date of purchase and are stated at the lower of cost or market value.

Short-term Investments

Predecessor Growth Partners' short-term investments consist of bank deposits with original maturities greater than 3 months but less than 12 months, which are classified as held-to-maturity investments and recorded at amortized cost.

Restricted Cash

Restricted cash includes amounts restricted under the terms of the Planet Hollywood and Horseshoe Baltimore debt agreements (see Note 8 — Financial Instruments) which require that Predecessor Growth Partners maintain certain reserves for items including but not limited to payment of property taxes, insurance, interest and ongoing furniture, fixtures and equipment purchases or property development or improvements. The classification between current and long-term is dependent upon the intended use of each particular reserve.

Receivables

Predecessor Growth Partners issues credit to approved casino customers following background checks and investigations of creditworthiness. Business or economic conditions or other significant events could affect the collectability of these receivables.

Accounts receivable are typically non-interest bearing and are initially recorded at cost. Accounts are written off when management deems the account to be uncollectible. Recoveries of accounts previously written off are recorded when received. Predecessor Growth Partners reserves an estimated amount for gaming receivables that may not be collected to reduce receivables to their net carrying amount, which approximates fair value. Methodologies for estimating the allowance for doubtful accounts range from specific reserves to various percentages applied to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific reserves. Receivables are reported net of an allowance for doubtful accounts of \$7.6 million as of December 31, 2012 .

Marker play represents a significant portion of Predecessor Growth Partners' overall table games volume. Predecessor Growth Partners maintains strict controls over the issuance of markers and aggressively pursue collection from those customers who fail to pay their marker balances timely. These collection efforts are similar to those used by most large corporations when dealing with overdue customer accounts, including the mailing of statements and delinquency notices, personal contacts, the use of outside collection agencies and civil litigation. Markers are generally legally enforceable instruments in the United States. Markers are not legally enforceable instruments in some foreign countries, but the United States' assets of foreign customers may be reached to satisfy judgments entered in the United States. Predecessor Growth Partners considers the likelihood and difficulty of enforceability, among other factors, when Predecessor Growth Partners issues credit to customers who are not residents of the United States.

Investments in Notes from Related Party

Predecessor Growth Partners' investments in senior notes previously issued by CEOC, a related party, are classified as available for sale investments and recorded at fair value with changes in fair value being recorded in accumulated other comprehensive income. Any discount or premium is amortized to interest income using the effective interest method. Predecessor Growth Partners classifies their investment in notes from related party as current or long-term depending on the maturity of the instruments along with management's intent on holding such instruments.

Land, Property and Equipment

Additions to land, property and equipment are stated at cost. Predecessor Growth Partners capitalizes the costs of improvements that extend the life of the asset and expense maintenance and repair costs as incurred. Gains or losses on the dispositions of land, property and equipment are included in the determination of income. Predecessor Growth Partners capitalized interest of \$0.8 million , \$0.1 million and \$0.2 million for the period from January 1 through October 21, 2013 and for the years ended December 31, 2012 and 2011 , respectively, primarily associated with the Horseshoe Baltimore development project.

Depreciation is provided using the straight-line method over the shorter of the estimated useful life of the asset or the related lease, as follows:

Land improvements	12 years
Building and improvements	5 - 40 years
Furniture, fixtures and equipment	2.5 - 20 years

Predecessor Growth Partners reviews the carrying value of land, property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value of the asset, an impairment loss is recognized equal to an amount by which the carrying value exceeds the estimated fair value of the asset. The factors considered by management in performing this assessment include current operating results, trends, prospects, the effect of obsolescence, demand, competition, potential decreases in the marketplace, a change in physical condition, and legal and other economic factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the reporting unit level, which, for most of Predecessor Growth Partners assets, is the individual property. Predecessor Growth Partners did not recognize any impairment in any of the periods presented.

Goodwill and Other Non-Amortizing Intangible Assets

The purchase price of an acquisition is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. We determine the estimated fair values after review and consideration of relevant information including discounted cash flows, quoted market prices, and estimates made by management. To the extent the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired and liabilities assumed, such excess is recorded as goodwill.

We performed our annual goodwill impairment assessment as of September 30, or more frequently if impairment indicators existed. We determined the estimated fair value of each reporting unit based on a combination of earnings before interest, taxes, depreciation and amortization ("EBITDA") and estimated future cash flows discounted at rates commensurate with the capital structure and cost of capital of comparable market participants, giving appropriate consideration to the prevailing borrowing rates within the casino industry in general. We also evaluated the aggregate fair value of all of our reporting units and other non-operating assets in comparison to our aggregate debt and equity market capitalization at the test date. EBITDA multiples and discounted cash flows are common measures used to value businesses in our industry.

We performed an annual impairment assessment of other non-amortizing intangible assets as of September 30, or more frequently if impairment indicators existed. We determined the estimated fair value of our non-amortizing intangible assets by primarily using the "Relief From Royalty Method" and "Excess Earnings Method" under the income approach.

Debt Discounts or Premiums and Unamortized Debt Issue Costs

Debt discounts or premiums and debt issue costs incurred in connection with the issuance of debt are capitalized and amortized to interest expense based on the related debt agreements primarily using the effective interest method. Unamortized discounts or premiums are written off and included in gain or loss calculations to the extent Predecessor Growth Partners retires debt prior to its original maturity date. Unamortized debt issue costs are included in deferred charges and other in their Combined Balance Sheet.

Derivative Instruments

Derivative instruments are recognized in the combined financial statements at fair value. Any changes in fair value are recorded in the Combined Statements of Operations. The estimated fair value of Predecessor Growth Partner's derivative instrument is based on market prices obtained from dealer quotes. Such quotes represent the estimated amounts Predecessor Growth Partners would receive or pay to terminate the contract. See Note 8 — Financial Instruments for additional discussion on the Planet Hollywood interest cap agreement.

Deferred Credits

Below market leases of Planet Hollywood recorded at their estimated fair value at the date of acquisition are recorded in Deferred credits and other on the Consolidated Balance Sheet. Predecessor Growth Partners revalued existing tenant leases at the time of acquisition of Planet Hollywood and recorded deferred credits of \$14.4 million related to these below-market leases. Deferred credits related to below market leases are amortized as an increase to rental income over the remaining terms of the respective leases. Planet Hollywood recognized additional non-cash rental income of \$1.6 million, \$2.2 million and \$2.5 million for the period from January 1 through October 21, 2013 and for the years ended December 31, 2012 and 2011, respectively.

Self-Insurance Accruals

Planet Hollywood was self-insured up to certain limits for costs associated with general liability, workers' compensation, and employee health coverage through June 2013. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims and are included in Accrued expenses on the Predecessor Growth Partners Combined Balance Sheets. In estimating these reserves, historical loss experience and judgments about the expected levels of costs per claim are considered. These claims are accounted for based on actuarial estimates of the undiscounted claims, including those claims incurred but not reported. Planet Hollywood believes the use of actuarial methods to account for these liabilities provides a consistent and effective way to measure these highly judgmental accruals. Predecessor Growth Partners regularly monitors the potential for changes in estimates, evaluates its insurance accruals, and adjusts its recorded provisions. Starting in July 2013, third-party insurance coverage was obtained on a prospective basis.

Revenue Recognition

Interactive Entertainment

Social and Mobile Games. CIE derives revenue from the sale of virtual currencies within casino-themed social and mobile games which are played on various global social and mobile third-party platforms. CIE's *Slotomania* and *Bingo Blitz* applications represented 90%, 94% and 97% of CIE's social and mobile games revenues for the period from January 1 through October 21, 2013 and for the years ended December 31, 2012 and 2011, respectively.

Within the *Slotomania* application, game players may collect free virtual coins on a regular basis, may send "gifts" of either free virtual coins or free slot machine spins to their friends through interactions with the Facebook application, and may "earn" free virtual coins through targeted marketing promotions. Within the *Bingo Blitz* application, game players may collect free bingo credits on a regular basis, may send "gifts" of free bingo credits or other virtual items to their friends through interactions with the Facebook application, and may "earn" free bingo credits through targeted marketing promotions. Virtual coins in *Slotomania* and virtual bingo credits in *Bingo Blitz* (collectively referred to as "virtual currency" or "virtual goods") allow the game players to play the respective games free of charge. If a game player wishes to obtain virtual goods above and beyond the level of free virtual goods available to that player, the player may purchase additional virtual goods. Once a purchase of virtual goods is completed, the coins are deposited into the players account and are not separately identifiable from previously purchased virtual goods or virtual goods obtained by the game player for free.

Once obtained, virtual currency (either free or purchased) cannot be redeemed for cash nor exchanged for anything other than game play. When virtual currency is played in the games, the game player could "win" and would be awarded additional virtual currency, or could "lose" and essentially lose the future use of that virtual currency. As the game player does not receive any additional benefit from the games, nor is the game player entitled to any additional rights once the game player's virtual goods are substantially consumed, CIE has concluded that the virtual goods represent consumable goods.

CIE has determined through a review of customer play behavior that game players who purchase virtual currency generally are not purchasing additional virtual currency if their existing virtual goods balances have not been substantially consumed. As CIE is able to track the duration between purchases of virtual currency for individual game players, CIE is able to reliably estimate the period of time over which virtual currency is consumed. As such, CIE recognizes revenue using an item-based revenue model.

Because CIE is unable to distinguish whether purchased or free virtual currency is consumed, CIE must estimate the amount of outstanding purchased virtual currency at each reporting period based on customer behavior. Based upon an analysis of the customers' historical play behavior, the timing difference between when virtual currencies are purchased by a customer and when those virtual currencies are consumed in gameplay is relatively short. CIE records within other current liabilities the deferred revenue associated with its social and mobile games, and also records within other current assets the prepaid platform fees associated with this deferred revenue. At December 31, 2012, CIE recorded within Accrued expenses deferred revenue associated with its social and mobile games of \$1.2 million, representing the estimated value of purchased virtual currencies not yet consumed at year-end. CIE also recorded within Prepayments and other current assets the prepaid platform fees associated with this deferred revenue, aggregating \$0.4 million at December 31, 2012.

CIE continues to gather detailed customer play behavior and assess this data in relation to its revenue recognition policy. To the extent the customer play behavior changes, CIE will reassess its estimates and assumptions used for revenue recognition.

The *Slotomania* and *Bingo Blitz* applications are played on various social and mobile third-party platforms for which such third parties collect monies from CIE's customers and pay CIE an amount after deducting a platform fee. CIE is the primary obligor with its customers under these arrangements, retains the ability to establish the pricing for its virtual currencies, and assumes all credit risk with its customers.

Based upon the above facts, CIE recognizes revenues from its game-playing customers on a gross basis and related platform fees are recorded as a component of operating expense.

Prior to September 2013, transactions conducted through the Facebook platform were facilitated using Facebook credits ("FB Credits"), which is a form of virtual currency specific to the Facebook platform. Effectively, transactions priced by CIE to sell a specified number of virtual goods for a specified cost in a game player's local currency had FB Credits inserted into the transaction flow, whereby the purchase price paid by the game player was first converted to FB Credits, and the FB Credits were then converted into the resulting number of virtual goods. This provided a means for Facebook platform users to accumulate FB Credits prior to making an in-application purchase, and for the Facebook platform to provide to its users FB Credits at a discount or for free.

Subsequent to the September 2013 elimination of FB Credits, Facebook may provide free gift cards or determine other means of discounting virtual currencies purchased by the Facebook platform users. As a result, CIE reviews the individual transaction details to ensure that revenues recognized for the sale of virtual currencies through the Facebook platform represent cash paid for such currencies by CIE's game players.

Taxes collected from customers on behalf of governmental authorities are accounted for on a net basis and are not included in net revenues or operating expenses.

WSOP and Online Real Money Gaming. The majority of CIE's WSOP and non-U.S. regulated online real money licensed gaming revenue is derived from licensing the WSOP and Caesars trade names to third parties for the use in regulated non-U.S. online real money gaming and social and mobile games, the licensing of the WSOP trade name, television rights and sponsorship for the WSOP live tournaments. With respect to the licensing agreements, CIE's revenues are typically based upon a percentage of gaming revenue earned by its licensees and the fees it receives from Caesars Entertainment for the WSOP circuit events.

CIE's license fee revenues generated from regulated online real money gaming are recognized as earned based on a contractually agreed upon percentage of the net gaming revenue. CIE believes that it is the agent in these transactions and therefore records the net licensing revenue derived from its licensees' net gaming revenue. Revenue related to the licensing of the WSOP trade name to third parties for the use in for social, mobile and console games is recognized based on an agreed percentage of the third parties' revenues through revenue sharing agreements.

Media and sponsorship revenues related to WSOP live tournaments are recorded as earned generally over the initial broadcasting period of the WSOP live tournaments. At December 31, 2012 , CIE recorded within Accrued expenses, deferred revenue associated with its WSOP and online gaming business of \$1.4 million .

Online real money gaming revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for player deposits. Cash discounts and other cash incentives related to online real money gaming are recorded as a reduction to WSOP and online real money gaming revenues.

Casino Properties and Developments

Casino Revenues. Casino revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers' possession. However, jackpots, other than the incremental amount of progressive jackpots, are recognized at the time they are won by customers. CGP LLC accrues the incremental amount of progressive jackpots as the progressive machine is played and the progressive jackpot amount increases, with a corresponding reduction of casino revenue.

Food, Beverage, Rooms, and Other. Food, beverage, accommodations, and other revenues are recognized when services are performed. Advance deposits on rooms and advance ticket sales are recorded as customer deposits until services are provided to the customer. Sales taxes and other taxes collected from customers on behalf of governmental authorities are accounted for on a net basis and are not included in net revenues or operating expenses. The retail value of accommodations, food and beverage, and other services furnished to casino guests without charge is included in gross revenue and then deducted as promotional allowances. The estimated costs of providing such promotional allowances are classified as casino expenses as follows:

	<u>January 1, 2013 Through October 21, 2013</u>	<u>Year Ended December 31, 2012</u>	<u>Year Ended December 31, 2011</u>
Food and beverage	\$ 11.1	\$ 12.5	\$ 11.2
Rooms	6.0	9.6	9.3
Other	0.2	—	—
	<u>\$ 17.3</u>	<u>\$ 22.1</u>	<u>\$ 20.5</u>

Platform Fees

Platform fees relate to Predecessor Growth Partners' Interactive Entertainment segment and consist of fees paid to third-party social and mobile platform providers, including Facebook and Apple. Approximately 47.6%, 48.2% and 90.0% of platform fees incurred for the period from January 1 through October 21, 2013 and for the years ended December 31, 2012 and 2011, respectively, were payable to Facebook. Approximately 31.8% and 35.6% of platform fees incurred for the period from January 1 through October 21, 2013 and for the year ended December 31, 2012, respectively, were payable to Apple. Other than the deferral of platform fees associated with deferred revenues, platform fees are expensed as incurred.

Total Rewards Point Liability Program

Caesars Entertainment's customer loyalty program, Total Rewards, offers incentives to customers who gamble at Caesars Entertainment's casinos throughout the United States, including Predecessor Growth Partners' Planet Hollywood casino. Under the program, customers are able to accumulate, or bank, reward credits over time that they may redeem at their discretion under the terms of the program. The reward credit balance will be forfeited if the customer does not earn a reward credit over the prior six-month period. As a result of the ability of the customer to bank the reward credits, Caesars Entertainment accrues the expense of reward credits, after consideration of estimated forfeitures (referred to as "breakage"), as they are earned. The estimated value of the cost to provide reward credits is expensed by Caesars Entertainment as the reward credits are earned by customers. To arrive at the estimated cost associated with reward credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates, and the mix of goods and services for which reward credits will be redeemed. Caesars Entertainment uses historical data to assist in the determination of estimated accruals.

Amounts associated with Planet Hollywood's participation in the program are included in Payables to related party in Predecessor Growth Partners' combined Balance Sheet and this liability is settled with Caesars Entertainment on a monthly basis. Planet Hollywood's associated cost to provide reward credits is included in Casino expense in the Combined Statements of Operations. The estimated liability for Total Rewards credit redemptions was \$0.9 million as of December 31, 2012.

Research and Development

CIE incurs various direct costs in relation to the development of future social and mobile games applications and future online real money poker applications, along with costs to improve current social and mobile games. CIE evaluates research and development costs incurred to determine whether the costs relate to the development of software, and therefore are required to be capitalized, and have concluded there are no capitalizable research and development costs related to the development of software.

All other research and development costs are expensed as incurred. Research and development costs were \$23.1 million, \$15.6 million and \$2.3 million for the period from January 1 through October 21, 2013 and for the years ended December 31, 2012 and 2011, respectively. Such amounts are included in Property, general, administrative and other within the Combined Statements of Operations.

Advertising

Predecessor Growth Partners expenses the production costs of advertising the first time the advertising takes place. Advertising expense was \$46.2 million, \$34.3 million and \$12.5 million for the period from January 1 through October 21, 2013 and for the years ended December 31, 2012 and 2011, respectively. Advertising expense is included in Property, general, administrative and other expenses within the Combined Statements of Operations.

Stock-based Compensation

Caesars Entertainment grants stock-based compensation awards in Caesars Entertainment common stock to certain employees that work for the management companies of Planet Hollywood and Horseshoe Baltimore under the Caesars 2012 Performance Incentive Plan. Caesars Entertainment's allocated expense to Predecessor Growth Partners associated with Planet Hollywood or Horseshoe Baltimore executives' stock-based awards for the period from January 1 through October 21, 2013 and for the years ended December 31, 2012 and 2011, but it was not considered material to the Combined Statements of Operations of Predecessor Growth Partners.

Caesars Interactive grants stock-based compensation awards in Caesars Interactive common stock to its employees and service providers in accordance with the Caesars Interactive, Inc. Amended and Restated Management Equity Incentive Plan (the "Plan"), which is intended to promote the interests of Caesars Interactive and its shareholders by providing key employees, directors, service providers and consultants with an incentive to encourage their continued employment or service and improve the growth and profitability of Caesars Interactive. The Plan provides for the Plan to be administered by the Human Resources Committee of the Board of Directors of Caesars Acquisition Company (the "Committee"). As a matter of policy, the exercise price of all options granted under the Plan has been determined by the Committee to ensure that the exercise price of options granted under the Plan complies with the requirement that such exercise price is not less than the fair market value of the underlying shares at the respective grant dates. Caesars Interactive has granted stock options and warrants, restricted

shares and management shares to its employees. These programs are classified as either equity or liability-based instruments dependent on the terms and conditions of each of the awards. Equity-classified instruments are measured at their fair value at their date of grant and liability-classified instruments are re-measured at their fair value at each reporting date for accounting purposes. A description of the components of these programs is provided in Note 15 — Stock-Based Compensation and Employee Benefit Plans .

Income Taxes

Predecessor Growth Partners records income taxes under the asset and liability method, whereby deferred tax assets and liabilities are recognized based on the expected future tax consequences of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and attributable to operating loss and tax credit carryforwards. Predecessor Growth Partners reduces the carrying amounts of deferred tax assets by a valuation allowance if, based on the available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically based on the more likely than not realization threshold. This assessment considers, among other matters, the nature, frequency, and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, Predecessor Growth Partners' experience with operating loss and tax credit carryforwards not expiring unused, and tax planning alternatives.

The effect on the income tax provision and deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Prior to October 21, 2013, Predecessor Growth Partners' operations were included in the consolidated U.S. Federal income tax return and state income tax returns of Caesars Entertainment. The provision for income taxes included in the Combined Statements of Operations and Comprehensive Income was computed as if Predecessor Growth Partners filed its U.S. federal, state and income tax returns on a stand-alone basis. Planet Hollywood is a disregarded entity for federal and state income tax purposes as part of the Caesars Entertainment consolidated group. However, for the purpose of the combined financial statements for the period ended October 21, 2013 and the years ended December 31, 2012 and 2011, Planet Hollywood recorded income taxes to properly represent the cost of its operations. Upon closing of the Transactions, CGP LLC is treated as a pass-through entity for federal and state income tax purposes.

Note 2 — Recently Issued Accounting Pronouncements

Predecessor Growth Partners has assessed recently issued guidance by the FASB and have determined there are no recently issued accounting pronouncements that will have a material impact on their financial position or results of operations.

Note 3 — Development and Acquisition Activity

Interactive Entertainment

Acquisition of Playtika Ltd.

In May 2011, Caesars Interactive Entertainment Israel, Ltd. (“CIEI”), a wholly-owned subsidiary of Caesars Interactive, acquired 51% of the voting equity interests of Playtika, a social and mobile games developer based in Israel. Aggregate cash consideration paid for this acquisition was \$25.0 million , prior to consideration of cash contributions required to be made into Playtika subsequent to the acquisition. Cash acquired in the acquisition of Playtika was \$6.0 million . Concurrent with the acquisition but not included in the consideration paid, CIEI made cash contributions of \$15.0 million to increase the working capital of Playtika, and \$11.0 million deposited into escrow in connection with contingent consideration payable. This contingent consideration was recorded at its acquisition date fair value of \$10.0 million .

The results of Playtika for periods subsequent to the acquisition are included in Predecessor Growth Partners' results in its Interactive Entertainment reportable segment.

The May 2011 purchase price of Playtika was allocated based upon estimated fair values of the assets acquired and liabilities assumed, with the excess of estimated fair value over net tangible and intangible assets acquired recorded as goodwill. CIEI estimated the fair value of the assets acquired and liabilities assumed based upon consideration of the cost, income and market approaches to fair value, as appropriate, and sought the assistance of an independent valuation firm.

As part of the business combination, CIEI acquired intangible assets. The fair value of the established user base and the gaming engine followed a replacement cost method. As such, the fair value of the established customer base was based on the cost to recreate the user base using the means of advertising typically employed by CIEI to market its games to potential users. The fair value of the gaming engine was based on the cost to recreate the gaming engine using the development methods employed by CIEI and other market participants.

The fair value of the developed games was based on a multi-period excess earnings method, which is an application of the discounted cash flow method and computes the present value of after-tax cash flows attributable to the associated future income stream.

The fair value of the non-controlling interest liability was based upon the expected value at which CIEI could redeem the non-controlling interest, discounted to its present value.

For the discounted cash flow method, CIEI used a weighted average cost of capital of 21% , and revenue was projected to increase by a compound annual growth rate of approximately 16% over the period from 2011 to 2018 with EBITDA margins of approximately 46% of net revenue.

CIEI estimated appropriate rates of return for the various asset classes by considering the risk of each specific asset class relative to the overall risks of the business. The required rates of return are lowest for net working capital, higher for fixed assets and intangible assets and highest for goodwill.

- The rate of return on net working capital assumes market participants would require a return on working capital similar to debt returns. CIEI assumed that immaterial levels of net working capital are necessary to operate Playtika in light of the short cash collection cycle.
- The rate of return on net working capital assumes market participants would require a return on working capital similar to debt returns. CIEI assumed that immaterial levels of net working capital are necessary to operate Playtika in light of the short cash collection cycle.
- CIEI estimated discount rates on the intangible assets to be 15.0% based on the relative risk profiles of these assets as compared to that of the overall business.
- Goodwill was computed on a residual basis. The implied rate of return on goodwill was 24.0% , which accounts for the additional risk inherent in the asset's unidentifiable nature.

Intangible assets acquired consisted of developed technology, primarily the gaming engine and developed games, valued at \$19.9 million with an estimated useful life of 5 years and an established user base valued at \$5.1 million with an estimated life of 2.5 years . The goodwill is attributed to the workforce of Playtika and the significant synergies expected subsequent to the acquisition. CIEI finalized the purchase price allocations during the fourth quarter 2011, with the final purchase price allocation as follows (in millions):

Total current assets	\$ 6.5
Goodwill	51.8
Intangible assets other than goodwill	25.0
	83.3
Total current liabilities	(6.1)
Total long term liabilities	(6.2)
Contingent consideration	(10.0)
Redeemable non-controlling interest	(36.0)
Net assets acquired	\$ 25.0

In 2011, CIEI incurred \$0.9 million in acquisition-related costs associated with the acquisition of Playtika, which are included in Property, general, administrative and other in the Combined Statements of Operations.

In December 2011, CIEI paid \$78.4 million in cash to purchase the remaining 49% voting equity interest of Playtika, bringing CIEI's ownership of Playtika to 100% . The redeemable non-controlling interest initially recorded was adjusted to its redemption value by recording a reduction to equity of \$34.1 million . There was no gain or loss recognized as a result of re-measuring the redeemable non-controlling interest to its redemption value. Additionally, in December 2011, CIEI paid \$11.0 million out of escrow to the selling shareholders of Playtika to settle the contingent consideration from the May 2011 acquisition. See Note 9 — Equity and Non-Controlling Interests for the changes in the carrying amount of redeemable non-controlling interest.

Acquisition of Bubbler Media

In September 2012, Playtika, Ltd. entered into an agreement with Ambar Services Limited ("Ambar") and Synesis, LLC ("Synesis") to effect a transaction whereby certain shareholders of Ambar ("Ambar Shareholders") would recruit and cause certain employees of Bubbler Media, a wholly-owned subsidiary of Synesis, to enter into employment contracts with a subsidiary of Playtika, a wholly-owned subsidiary of Caesars Interactive, to create and develop programs and software, in exchange for \$7.5 million in consideration. The acquisition was recognized as a business combination and all of the

consideration transferred was recognized as goodwill as there were no identifiable assets or liabilities acquired as a result of the acquisition.

Additionally, the Ambar Shareholders are entitled to four contingency payments of \$0.9 million as of the first and second anniversary periods as defined in the agreement as amended. The maximum amount of contingency payments is \$3.6 million . These payments are contingent upon services to be provided in the post-combination period; accordingly, these payments are not considered as part of the business combination and do not impact the total consideration transferred in respect to the business acquired. These payments will be recognized as compensation expense over the period in which they are incurred. For the period from January 1 through October 21, 2013 , \$1.9 million was recognized in the Combined Statements of Operations. For the year ended December 31, 2012 , \$0.8 million was recognized in the Combined Statements of Operations.

Acquisition of Buffalo Studios LLC

In December 2012, Caesars Interactive purchased substantially all of the assets of Buffalo Studios. Aggregate consideration was \$50.8 million , including Predecessor Growth Partners' preliminary estimate of \$5.6 million in contingent consideration (see Note 11 — Fair Value Measurements). Buffalo Studios is a developer of social and mobile games which are played through a Facebook, Apple, or Android platform. Buffalo Studios' principal revenue source is *Bingo Blitz*, an online bingo game in which users compete to win virtual prizes and game enhancements. Buffalo Studios offers its games under a "free-to-play" model in which users can download and play the game for free, but are charged for additional game credits, game enhancements, and the purchase of virtual goods. The results of Buffalo Studios for periods subsequent to the acquisition are included in Predecessor Growth Partners' results in their Interactive Entertainment segment.

The December 2012 purchase price of Buffalo Studios was allocated based upon estimated fair values of the assets acquired and liabilities assumed, with the excess of estimated fair value over net tangible and intangible assets acquired recorded as goodwill. CIE estimated the fair value of the assets acquired and liabilities assumed based upon consideration of the cost, income and market approaches to fair value, as appropriate, and sought the assistance of an independent valuation firm.

As part of the business combination, CIE acquired intangible assets. The fair value methodology used to value the established user base followed a replacement cost method. As such, the fair value of the established customer base was based on the cost to recreate the user base using the means of advertising typically employed by CIE to market its games to potential users. The fair value of the developed games and game titles was based on a multi-period excess earnings method, which is an application of the discounted cash flow method and computes the present value of after-tax cash flows attributable to the associated future income stream.

CIE estimated appropriate rates of return for the various asset classes by considering the risk of each specific asset class relative to the overall risks of the business. The required rates of return are lowest for net working capital, higher for fixed assets and intangible assets and highest for goodwill.

- The rate of return on net working capital assumes market participants would require a return on working capital similar to debt returns. CIE assumed that immaterial levels of net working capital are necessary to operate Buffalo Studios, in light of the short cash collection cycle.
- The rate of return on fixed assets was estimated to be 6.0% , which assumes that these assets would be financed primarily by debt financing.
- CIE estimated discount rates on the intangible assets to be 21.0% based on the relative risk profiles of these assets as compared to that of the overall business.
- Goodwill was computed on a residual basis. The implied rate of return on goodwill was 25.0% , which accounts for the additional risk inherent in the asset's unidentifiable nature.

Intangible assets acquired consisted of developed games, valued at \$21.0 million with an estimated useful life of 5 years, an established user base valued at \$7.6 million with an estimated life of 2.5 years, and game titles valued at \$7.5 million with a life of ten years. The goodwill is attributed to the workforce of Buffalo Studios and the significant synergies expected subsequent to the acquisition. Caesars Interactive recorded the purchase price allocation as follows (in millions):

Total current assets	\$ 3.3
Non-current assets	0.6
Goodwill	12.9
Intangible assets other than goodwill	36.1
	52.9
Total current liabilities	(2.1)
Contingent consideration	(5.6)
Net assets acquired	<u><u>\$ 45.2</u></u>

Other CIE Acquisitions

In May 2013, CIE acquired the *World Series of Poker* social and mobile game assets and intellectual property from Electronic Arts, Inc. In August 2013, CIE acquired an online gaming development business based in the Ukraine. In October 2013, certain wholly-owned subsidiaries of Caesars Interactive acquired the workforce, assets and intellectual property (collectively, the "Acquired Assets") of unaffiliated third parties. Total consideration for the Acquired Assets was \$18.0 million, of which \$10.0 million was paid on October 21, 2013 and \$8.0 million is contingent upon achieving certain milestone events. Predecessor Growth Partners had not yet finalized its purchase price allocation related to the consideration paid for this acquisition. Assets acquired and liabilities assumed in these transactions were not material to Predecessor Growth Partners' financial statements.

Pro Forma Summary

The following unaudited pro forma summary presents combined information of Predecessor Growth Partners as if Caesars Interactive had acquired 100% of the ownership interests in Buffalo Studios, Bubbler and Playtika on January 1, 2011:

<u>(In millions)</u>	Pro Forma for the Year Ended December 31,	
	2012	2011
Net revenues	\$ 539.2	\$ 394.5
Net income	\$ 162.8	\$ 92.1

Unaudited pro forma net income has been calculated after adjusting the combined results of Predecessor Growth Partners to reflect the additional amortization and depreciation of \$5.1 million and \$6.9 million net of tax, for the years ended December 31, 2012 and 2011, respectively for acquired intangible and fixed assets for the period prior to the acquisition of Buffalo Studios, Bubbler and Playtika based on the fair value of the intangible and fixed assets acquired. The pro forma results reflect additional interest expense of \$1.4 million and \$ 6.3 million , net of tax for the years ended December 31, 2012 and 2011, respectively. Additional interest expense is attributable to the unsecured intercompany loans with Caesars Entertainment, assuming that such borrowings occurred on January 1, 2011 (in the case of Playtika and Buffalo Studios), the Amended and Restated Loan Agreement.

Casino Properties and Developments

Baltimore, Maryland Development

In September 2011, CEOC filed an application with the State of Maryland for the license to operate a gaming facility in the City of Baltimore. The application was filed on behalf of a venture that includes Caesars Entertainment as the lead investor and facility manager, Rock, CVPR Gaming Holdings, LLC, and STRON-MD Limited Partnership.

In July 2012, the consortium led by Caesars Entertainment was awarded the license to operate a casino in downtown Baltimore. In October 2012, Caesars Entertainment entered into definitive agreements with investors associated with Rock, CVPR Gaming Holdings, LLC, STRON-MD Limited Partnership, and PRT Two, LLC, to form a joint venture that will build and own the Horseshoe Baltimore casino. Subject to regulatory approvals and receipt of project financing, Caesars Entertainment began construction of the Horseshoe Baltimore in the first half of 2013 and plans to open the casino to the public in the middle of 2014. Pursuant to such definitive agreements, Caesars Entertainment committed to contribute a maximum of \$78.0 million in capital to the joint venture, \$17.7 million of which has previously been contributed and appears as a capital contribution within Additional paid-in capital on Predecessor Growth Partners' Combined Statements of Equity, for the purpose of developing and constructing the casino. Predecessor Growth Partners has an approximate 51.8% indirect ownership interest in the joint venture, which is a combined subsidiary (see Note 19 — Subsequent Events contained in the CGP LLC audited

financial statements included in Exhibit 99.1 of this Annual Report for transactions relative to this transaction which occurred after October 21, 2013).

In October 2012, CBAC Gaming, LLC ("CBAC"), an indirectly-held subsidiary of the Company, entered into a lease with the City of Baltimore, Maryland to lease vacant real property for the gaming facility in Baltimore, Maryland. Subject to several extension rights provided to CBAC, the term of the lease may be extended up to a maximum of 50 years following the date the facility is open to the public. Rent payable under the lease is equal to the greater of (i) 2.99% of the gross gaming proceeds derived from the operation of the Facility, and (ii) the annual minimum rental amounts set forth in the lease.

In connection with the execution of the lease, CBAC also entered into a Land Disposition Agreement (the "LDA") with the City of Baltimore to acquire real property for the purpose of demolishing existing improvements and, thereafter, developing and operating parking garage immediately adjacent to the casino entertainment facility. The total purchase price for this real property is approximately \$5.9 million .

Pursuant to the Maryland Joint Venture definitive agreements, capital calls were made to all members in April 2013 and June 2013 for an aggregate amount of \$73.3 million to fund the ongoing development activities and capitalization requirements for financing of the joint venture. In accordance with Growth Partner's ownership interests in the Maryland Joint Venture, its portion of the capital contribution amounted to an aggregate total of approximately \$38.0 million , which was paid by Caesars Entertainment and appears as a capital contribution within Additional paid-in capital on Predecessor Growth Partner's Combined Statements of Equity.

As of December 31, 2012 , STRON-MD Limited Partnership holds 4.8% of the Horseshoe Baltimore joint venture. Their non-controlling interest contains an embedded put feature that may cause us, at any time, to purchase all of STRON-MD Limited Partnership's interest in Horseshoe Baltimore either at cost prior to the commencement of the planned casino's operations, or at fair market value after the commencement of operations. For accounting purposes, their ownership interest is presented as redeemable non-controlling interest presented outside of permanent equity on the Combined Balance Sheet (see Note 9 — Equity and Non-Controlling Interests for the changes in the carrying amount of redeemable non-controlling interest).

Note 4 — Land, Property and Equipment, net

Land, property and equipment, net consists of the following:

(In millions)	December 31, 2012
Land and land improvements	\$ 91.7
Building and improvements	304.8
Furniture, fixtures and equipment	86.3
Construction in progress	8.1
	490.9
Less: accumulated depreciation	(70.5)
Land, property and equipment, net	\$ 420.4

Caesars Interactive entered into a Platform Development and Service Agreement, dated as of January 30, 2012 (the "Platform Agreement"), with 888, Caesars Interactive's partner in the UK online real money gaming market. The Platform Agreement provides that 888 will develop and service an online real money poker platform for use in any United States jurisdiction when online real money gaming becomes legal. Under this agreement, 888 receives a portion of the revenue derived from the platform and reimbursement for expenses. Reimbursements for computer hardware incurred prior to construction in progress, and reimbursements for other development costs and expenses have been recorded in Property, general, administrative and other in the Combined Statements of Operations. The Platform agreement also provides 888 the option to market or sell the rights to the technology developed under the agreement, but upon exercising such option, 888 would be required to reimburse Caesars Interactive some or all of the computer hardware and development costs and expenses.

In August 2013, Caesars Interactive and 888 amended the Platform Agreement and entered into a Services Agreement (collectively, the "888 Agreements") whereby 888 exercised its non-exclusivity option allowing them to use and market the platform in jurisdictions that Caesars Interactive operates. In accordance with the 888 Agreements, 888 reimbursed Caesars Interactive for costs incurred during the development stage of the platform. Additionally, 888 will reimburse Caesars Interactive for computer hardware costs through a reduction of 888's revenue share.

Depreciation expense for property and equipment is reflected in Depreciation and amortization in the Combined Statements of Operations. For the period from January 1 through October 21, 2013 and for the years ended December 31, 2012 and 2011 , the aggregate depreciation expense was \$22.6 million , \$25.5 million and \$25.0 million , respectively.

Note 5 — Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill were as follows:

<u>(In millions)</u>	Interactive Entertainment	Casino Properties and Developments	Total
Balance at January 1, 2012	\$ 51.8	\$ 25.2	\$ 77.0
Acquisitions	20.4	—	20.4
Balance at December 31, 2012	\$ 72.2	\$ 25.2	\$ 97.4

The following table provides the gross carrying amount and accumulated amortization for each major class of intangible assets other than goodwill:

<u>(Dollars in millions)</u>	<u>December 31, 2012</u>				
	Weighted Average Remaining Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Amortizing intangible assets					
Developed technology	4.2	\$ 40.9	\$ (6.5)	\$ 34.4	
Customer relationships / user base	2.8	15.1	(4.0)	11.1	
Other intangible assets	10.6	10.7	(0.7)	10.0	
		\$ 66.7	\$ (11.2)	\$ 55.5	
Non-amortizing intangible assets					
Trade name					98.7
Baltimore gaming license					22.5
					121.2
Total intangible assets other than goodwill					\$ 176.7

The aggregate amortization expense for those intangible assets that are amortized is reflected in Depreciation and amortization in the Combined Statements of Operations. For the period from January 1 through October 21, 2013 and for the years ended December 31, 2012 and 2011 , there was \$12.5 million , \$6.7 million and \$4.2 million , respectively of amortization expense. Estimated annual amortization expense for the years ending December 31, 2014, 2015, 2016, 2017, 2018 and thereafter is \$14.1 million , \$12.4 million , \$7.8 million , \$6.3 million , \$1.6 million and \$4.8 million , respectively.

No impairment charges were recorded for the period from January 1 through October 21, 2013 and for the years ended December 31, 2012 and 2011 .

Note 6 — Accrued Expenses

Accrued expenses consisted of the following:

<u>(In millions)</u>	<u>December 31, 2012</u>
Payroll and other compensation	\$ 12.0
Deferred revenue, deposits and customer funds liability, including advance hotel deposits	8.4
Accrued non-income taxes	6.0
Contingent consideration ⁽¹⁾	5.6
Self-insurance claims and reserves	3.0
Interest payable	1.2
Other accruals	16.5
	\$ 52.7

⁽¹⁾ Contingent consideration related to acquisitions (See Note 3 - Development and Acquisition Activity and Note 11 — Fair Value Measurements).

Note 7 — Debt

The following table presents Predecessor Growth Partners' outstanding third-party debt, excluding capital lease obligations, as of December 31, 2012:

<u>(In millions)</u>	<u>Maturity</u>	<u>Rate</u>	<u>December 31, 2012</u>	
	2015	3.07%	Face Value	Book Value
Planet Hollywood Amended and Restated Loan Agreement			\$ 515.5	\$ 459.7

Planet Hollywood Amended and Restated Loan Agreement

In connection with the 2010 acquisition of Planet Hollywood and the related assumption of debt, Planet Hollywood entered into the Amended and Restated Loan Agreement with Wells Fargo Bank, N.A., as trustee for The Credit Suisse First Boston Mortgage Securities Corp. Commercial Mortgage Pass-Through Certificates, Series 2007- TFL2 (the "Lender"). On October 26, 2011, Planet Hollywood exercised its option to extend the Planet Hollywood senior secured loan to 2013. On December 5, 2013 the loan maturity was again extended to April 2015. No additional options exist to extend the maturity of the loan. This loan is secured by the assets of PHWLV, LLC.

The loan contains customary affirmative covenants, subject to certain exceptions, requiring Planet Hollywood to, among other things, deliver annual financial statements, annual budgets, maintain its properties, maintain its books and records, maintain insurance, and comply with laws and material contracts.

The loan contains customary negative covenants, subject to certain exceptions, restricting or limiting the ability of Planet Hollywood to, among other things, dispose of its assets and change its business or ownership, consummate mergers or acquisitions and create liens on its assets.

Planet Hollywood may, at its option, voluntarily prepay the loan in whole or in part upon twenty (20) days prior written notice to Lender. Planet Hollywood is required to prepay the loan in (i) the amount of any insurance proceeds received by Lender for which Lender is not obligated to make available to Planet Hollywood for restoration in accordance with the terms of the Amended and Restated Loan Agreement, (ii) the amount of any proceeds received from the operator of the timeshare property adjacent to Planet Hollywood Resort and Casino, subject to the limitations set forth in the Amended and Restated Loan Agreement, and (iii) the amount of any excess cash remaining after application of the cash management provisions of the Amended and Restated Loan Agreement.

In connection with Planet Hollywood's Amended and Restated Loan Agreement, Caesars Entertainment entered into a Guaranty Agreement (the "Guaranty") for the benefit of the Lender, pursuant to which Caesars Entertainment guaranteed to the Lender certain recourse liabilities of Planet Hollywood. Caesars Entertainment's maximum aggregate liability for such recourse liabilities is limited to \$30.0 million , provided that such recourse liabilities of Planet Hollywood do not arise from (i) events, acts, or circumstances that are actually committed by, or voluntarily or willfully brought about by, Caesars Entertainment or (ii) event, acts, or circumstances (regardless of the cause of the same) that provide actual benefit (in cash, cash equivalent, or other quantifiable amount) to Planet Hollywood, to the full extent of the actual benefit received by Planet Hollywood. Pursuant to the Guaranty, Caesars Entertainment is required to maintain a net worth or liquid assets of at least \$100.0 million .

Horseshoe Baltimore Credit and FF&E Facilities

CBAC, an indirect wholly-owned subsidiary of the Maryland Joint Venture, entered into a credit agreement (the "Baltimore Credit Facility") in July 2013 in order to finance the acquisition of land in Baltimore, Maryland and the construction of the Horseshoe Baltimore and a parking garage (collective, the "Baltimore Development"). The Baltimore Credit Facility provides for (i) a \$300.0 million senior secured term facility with a seven -year maturity, which is comprised of a \$225.0 million facility that was funded on July 2, 2013 upon the closing of the Baltimore Credit Facility, a \$37.5 million delayed draw facility available from the closing of the Baltimore Credit Facility until July 2014 and a \$37.5 million delayed draw facility available until January 2015 and (ii) a \$10.0 million senior secured revolving facility with a five -year maturity. The Baltimore Credit Facility is secured by substantially all material assets of CBAC and its wholly-owned domestic subsidiaries.

In connection with the foregoing, Caesars Baltimore Investment Company, LLC ("Caesars Baltimore") and the other joint venture partners each provide, on a several and not joint basis, a completion guarantee with respect to the Baltimore Development, which guarantees completion of the construction of the Baltimore Development, availability of contemplated working capital and the discharge, bonding or insuring over of certain liens in connection with the Baltimore Development. The maximum liability of Caesars Baltimore under its completion guarantee is approximately \$9.1 million .

The Baltimore Credit Facility contains customary affirmative covenants, subject to certain exceptions, requiring CBAC to, among other things, deliver annual and quarterly financial statements (following the commencement of operations of the Baltimore Development), annual budgets, construction progress reports and other notices, maintain its properties, maintain its

books and records, maintain insurance, use commercially reasonable efforts to maintain a public rating for the term loans and comply with laws and material contracts.

The Baltimore Credit Facility contains customary negative covenants, subject to certain exceptions, restricting or limiting the ability of CBAC to, among other things, dispose of its assets and change its business or ownership, consummate mergers or acquisitions, make dividends, stock repurchases and optional redemptions of subordinated debt, incur debt and issue preferred stock, make loans and investments, create liens on its assets and enter into transactions with affiliates. In addition, the Baltimore Credit Facility includes a covenant prohibiting the senior secured leverage ratio from exceeding 7.5 to 1.0 for the first three quarters, 6.0 to 1.0 for the next four quarters, and 4.75 to 1.0 for the remainder of the agreement after the commencement of operations of the Baltimore Development.

Concurrently with the closing of the Baltimore Credit Facility, CBAC entered into an equipment financing term loan facility for up to \$30.0 million (the "Baltimore FF&E Facility"). Under the Baltimore FF&E Facility, CBAC may use funds from the facility to finance or reimburse the purchase price and certain related costs of furniture, furnishings, and equipment (referred to as "FF&E") to be used in the Baltimore Development. Proceeds of the Baltimore FF&E Facility will also be available to refinance the purchase price of FF&E purchased with other amounts available to CBAC. Draws under the Baltimore FF&E Facility may be made after the closing date and prior to January 2015, provided that a final draw of the unused commitment amount will be deposited into an escrow account pledged to the collateral agent for the Baltimore FF&E Facility at the end of the commitment period, and such funds will be available for subsequent financing of FF&E purchases. CBAC is not permitted to reduce the commitments under the FF&E Facility. The Baltimore FF&E Facility will mature five years and six months after the closing of the facility.

The Baltimore FF&E Facility has covenants and events of default substantially consistent with the Baltimore Credit Facility, and other restrictive covenants customary for FF&E facilities of this type.

Interest and Fees

The amount outstanding under the Planet Hollywood senior secured loan bears interest at a rate per annum equal to the London Inter-Bank Offered Rate ("LIBOR") plus 2.859% . A subsidiary of CEOC owns interest-only participations in a portion of the PHW Las Vegas, LLC senior secured loan that are entitled to interest at a fixed rate equal to 1.59% per year.

For the Baltimore Credit Facility, borrowings bear interest at a rate equal to the then current adjusted LIBOR or at a rate equal to the alternate base rate, in each case, plus an applicable margin. The adjusted LIBOR is equal to the greater of (i) 1.25% and (ii) the LIBOR in effect for such interest period. In addition, on a quarterly basis, CBAC is required to pay each lender (i) a 0.50% commitment fee in respect any unused commitments under the revolving credit facility, (ii) a 0.125% fronting fee in respect of the aggregate face amount outstanding letters of credit under the revolving credit facility and (iii) a 2.25% commitment fee in respect of unfunded commitments under the delayed draw facility until termination of such commitments.

For the Baltimore FF&E Facility, the loan bears an interest rate at a floating rate per annum equal to the adjusted LIBOR plus 7.5% . The adjusted LIBOR will be determined by the administrative agent and will equal to the greater of (i) the LIBOR in effect for such interest period multiplied by statutory reserves and (ii) 1.25% .

Note 8 — Financial Instruments

Restricted Cash

The total balance in Restricted cash at December 31, 2012 was \$30.6 million , which includes cash restricted under the Planet Hollywood Amended and Restated Loan Agreement.

The Planet Hollywood Amended and Restated Loan Agreement requires that Planet Hollywood maintain certain reserves for payment of property taxes, insurance, interest and ongoing furniture, fixtures and equipment purchases or property improvements. Amounts deposited into the specified reserve funds under this agreement represent restricted cash and aggregated \$26.2 million in long-term assets and \$4.4 million in short-term assets at December 31, 2012 . The classification between current and long-term is dependent upon the intended use of each specific reserve balance.

CIE Convertible Notes

In March 2012, Rock and CIE entered into an agreement pursuant to which Rock Gaming purchased approximately 6,155 shares of CIE common stock for \$30.4 million in cash and agreed to purchase additional shares of CIE common stock on or before July 2, 2012. CIE used the proceeds from this sale to prepay a portion of the then outstanding balance on an unsecured credit facility with Caesars Entertainment (see Note 18 — Related Party Transactions).

In June 2012, CIE and Rock modified the agreement with Rock such that CIE issued to Rock approximately 382 shares of CIE common

stock and a promissory note for \$28.5 million in exchange for \$30.4 million in cash. The promissory note is

convertible into approximately 5,773 shares of CIE common stock. In November 2012, CIE issued to Rock an additional promissory note for \$19.2 million in exchange for \$19.2 million in cash. The additional promissory note is convertible into approximately 3,140 shares of CIE common stock. The ability to convert the promissory notes into shares is subject to the satisfaction of certain specified criteria in June 2014, therefore, both promissory notes, totaling \$47.7 million, are classified as long-term in Predecessor Growth Partners Combined Balance Sheet at December 31, 2012.

Derivative Instruments

On December 9, 2011, Planet Hollywood entered into an interest rate cap agreement for a notional amount of \$517.7 million at a LIBOR cap rate of 7.0% which matured on December 9, 2013. Planet Hollywood did not designate the interest rate cap agreement as a cash flow hedge. Therefore, any change in fair value was recognized in interest expense during the period in which the change in value occurred. Likewise, Predecessor Growth Partners had no derivatives designated as hedging instruments at December 31, 2012.

The effect of derivative instruments in the Combined Statements of Operations for the period from January 1 through October 21, 2013 and for the years ended December 31, 2012 and 2011 was immaterial.

Note 9 — Equity and Non-Controlling Interests

Additional paid-in capital and Retained earnings

Prior to the Transactions, Additional paid-in capital and Retained earnings represented the cumulative net investment by Caesars Entertainment in Predecessor Growth Partners, including any prior net income or loss or other comprehensive income or loss attributed to Predecessor Growth Partners and contributions received from or distributions made to Caesars Entertainment. Current domestic income tax liabilities were deemed to be remitted in cash to Caesars Entertainment in the period the related income tax expense was recorded. Certain transactions between Predecessor Growth Partners and other related parties that are wholly-owned subsidiaries of Caesars Entertainment, including allocated expenses and settlement of intercompany transactions, were also included in Additional paid-in capital.

Cash received as interest on investments in notes from related party was transferred back to Caesars Entertainment. Such transfers were recorded as equity transactions, net of associated tax, and included as a component of Additional paid-in capital. Predecessor Growth Partners treated these net distributions to Caesars Entertainment as financing transactions in its statements of cash flows.

Non-controlling interest

As of December 31, 2012, STRON-MD Limited Partnership holds 4.8% of the Horseshoe Baltimore joint venture. Their non-controlling interest contains an embedded put feature that may cause us, at any time, to purchase all of STRON-MD Limited Partnership's interest in Horseshoe Baltimore either at cost prior to the commencement of the planned casino's operations, or at fair market value after the commencement of operations. This election is at the option of the holder, which is therefore not within the control of the issuer. As such, for accounting purposes, their ownership interest is presented as redeemable non-controlling interest presented outside of permanent equity on the Combined Balance Sheet.

Similarly, prior to acquiring the non-controlling interest in Predecessor Growth Partners' Playtika subsidiary in December 2011, this non-controlling interest was also classified as redeemable non-controlling interests. In December 2011 the remaining non-controlling interest of Playtika was acquired, bringing the Company's ownership of Playtika to 100% (see Note 3 — Development and Acquisition Activity).

The changes in the carrying amount of Redeemable non-controlling interests were as follows (in millions):

Balance as of January 1, 2011	\$ —
Acquisition of controlling interest in Playtika	36.0
Net income attributable to non-controlling interest	8.3
Changes in redemption value of redeemable non-controlling interest	34.1
Purchase of additional interest in Playtika	(78.4)
Capital contribution in Horseshoe Baltimore	1.1
Balance as of December 31, 2011	1.1
Net loss attributable to redeemable non-controlling interests	(0.3)
Capital contribution to Horseshoe Baltimore	0.5
Balance as of December 31, 2012	\$ 1.3

Net loss attributable to redeemable non-controlling interests from the Horseshoe Baltimore joint venture for the period from January 1 through October 21, 2013 and for the year ended December 31, 2012 , was recognized in the Combined Statements of Operations, but was not recognized in the Combined Statements of Equity as it was accounted for as mezzanine equity during the respective periods.

The following is a summary of Predecessor Growth Partners' net (loss)/income attributable to non-controlling interests for the period from January 1 through October 21, 2013 and for the years ended December 31, 2012 and 2011 :

<u>(In millions)</u>	<u>January 1, 2013 Through October 21, 2013</u>	<u>Year Ended December 31, 2012</u>	<u>Year Ended December 31, 2011</u>
Net (loss)/income attributable to redeemable non-controlling interests	\$ (0.5)	\$ (0.3)	\$ 8.3
Net (loss)/income attributable to non-controlling interests	(4.6)	0.9	(0.3)
<i>As presented on the Combined Statements of Operations</i>			
Net (loss)/income attributable to non-controlling interests	<u>\$ (5.1)</u>	<u>\$ 0.6</u>	<u>\$ 8.0</u>

Issuance of Caesars Interactive Common Stock

On March 30, 2012, Caesars Interactive entered into an agreement with an affiliate of Rock pursuant to which Rock purchased approximately 6,155 shares of Caesars Interactive's common stock for \$30.4 million in cash. On June 29, 2012, Caesars Interactive amended the agreement with Rock whereby Rock paid \$30.4 million in cash for an additional approximately 382 shares of Caesars Interactive's common stock and a convertible promissory note, convertible into approximately 5,773 shares of CIE's common stock (see Note 8 — Financial Instruments). Execution of this amendment resulted in the elimination of the \$10.0 million minimum guaranteed payment previously recorded in equity.

Accumulated other comprehensive income

Accumulated other comprehensive income consists of unrealized gain on investments in notes from related party as of December 31, 2012 (see Note 18 — Related Party Transactions), net of taxes. For the period from January 1 through October 21, 2013 and for the year ended December 31, 2012 , there were no amounts reclassified out of Accumulated other comprehensive income.

Note 10 — Income Taxes

The components of income before income taxes and the related provision for the United States and other income taxes for Predecessor Growth Partners were as follows:

<u>(In millions)</u>	<u>January 1, 2013 Through October 21, 2013</u>	<u>Year Ended December 31, 2012</u>	<u>Year Ended December 31, 2011</u>
Income before Income Taxes			
United States	\$ 79.3	\$ 117.8	\$ 120.2
Outside of the United States	62.9	76.0	23.0
Total income before income taxes	<u>\$ 142.2</u>	<u>\$ 193.8</u>	<u>\$ 143.2</u>

<u>(In millions)</u>	<u>January 1, 2013 Through October 21, 2013</u>	<u>Year Ended December 31, 2012</u>	<u>Year Ended December 31, 2011</u>
Income Tax Provision			
United States			
Current (Federal)	\$ 31.7	\$ 29.3	\$ 25.5
Deferred (Federal)	7.7	17.1	19.3
Outside of the United States			
Current	13.8	23.1	7.4
Deferred	(2.9)	(3.1)	(1.5)
Total income tax provision	<u>\$ 50.3</u>	<u>\$ 66.4</u>	<u>\$ 50.7</u>

The differences between the United States statutory federal income tax rate and the effective tax rate expressed as a percentage of income before taxes were as follows:

	January 1, 2013 Through October 21, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Statutory tax rate	35.0 %	35.0 %	35.0 %
Increases/(decreases) in tax resulting from:			
Federal Valuation Allowance change	3.8	—	—
Foreign income taxed at lower rates than the U.S.	(7.6)	(3.4)	(1.5)
Nondeductible lobbying	0.2	0.8	0.3
Nondeductible stock-based compensation	2.4	0.8	1.5
Offering costs	0.1	0.7	—
Non-controlling interests	1.2	0.5	0.1
Other	0.2	(0.1)	—
Effective tax rate	<u>35.3 %</u>	<u>34.3 %</u>	<u>35.4 %</u>

The major components of the Deferred tax assets and liabilities in Predecessor Growth Partners' Combined Balance Sheet were as follows (in millions):

<u>(In millions)</u>	<u>December 31, 2012</u>	
Deferred tax assets		
Compensation programs	\$ 3.8	
Research and development costs	2.0	
Net operating losses	7.8	
U.S. federal tax credits	0.1	
Accrued expenses	1.1	
Allowance for doubtful accounts	0.1	
Intangibles	33.2	
Deferred revenue	—	
Other	0.3	
Subtotal	<u>48.4</u>	
Less: valuation allowance	—	
Total deferred tax assets	<u>48.4</u>	
Deferred tax liabilities		
Intangible assets	28.8	
Prepaid expenses	1.8	
Fixed assets	8.2	
Debt	153.9	
Other	0.2	
Total deferred tax liabilities	<u>192.9</u>	
Net deferred tax liability	<u>\$ (144.5)</u>	

As a result of certain realization requirements of ASC 718, *Compensation – Stock Compensation*, the table of deferred tax assets and liabilities shown above does not include certain deferred tax assets as of December 31, 2012, that arose directly from tax deductions related to stock-based compensation that are greater than the compensation recognized for financial reporting. Equity will be increased by \$0.1 million if and when such deferred tax assets are ultimately realized. Predecessor Growth Partners uses ASC 740, *Income Taxes*, when determining when excess tax benefits have been realized.

At December 31, 2012, Predecessor Growth Partners had U.S. federal net operating losses ("NOL") carry-forwards of \$22.6 million. These NOLs will begin to expire in 2030. Predecessor Growth Partners was sufficiently profitable or otherwise had sufficient control over the reversibility of its deferred tax liabilities such that no valuation allowance was necessary against the 2012 federal deferred tax assets. The amount of these NOLs for which the tax benefit will be recorded to additional paid-in capital when realized is \$0.4 million for the year ended December 31, 2012. As of December 31, 2012, Predecessor Growth partners did not have any state NOL carry-forwards.

Predecessor Growth Partners does not provide for deferred taxes on the excess of the financial reporting over the tax basis in its investments in foreign subsidiaries that are essentially permanent in duration. Predecessor Growth Partners has determined if additional cash flows are necessary in future periods to support its U.S. operations, Predecessor Growth Partners intends and has the ability to obtain such funds from other sources and would not repatriate earnings from their foreign subsidiaries. That excess is estimated to total \$70.0 million at December 31, 2012. The additional deferred taxes, including foreign withholding taxes that have not been provided are estimated at \$8.1 million at December 31, 2012.

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefits is as follows:

<u>(In millions)</u>	January 1, 2013 Through October 21, 2013
Balance at January 1, 2013	\$ —
Additions on tax positions of prior years	0.2
Balance at October 21, 2013	\$ 0.2

Predecessor Growth Partners classifies reserves for tax uncertainties within accrued expenses and deferred credits and other in its Combined Balance Sheet, separate from any related income tax payable or deferred income taxes. Reserve amounts relate to any potential income tax liabilities resulting from uncertain tax positions as well as potential interest or penalties associated with those liabilities.

Predecessor Growth Partners recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. Predecessor Growth Partners did not accrue any material interest and penalties in 2013 related to uncertain tax positions. Included in the balance of unrecognized tax benefits at October 21, 2013 are approximately \$0.2 million of unrecognized tax benefits that, if recognized, would impact the effective tax rate.

Predecessor Growth Partners files income tax returns, including returns for its subsidiaries, with federal, state, and foreign jurisdictions. Predecessor Growth Partners is under regular and recurring audit by the Internal Revenue Service on open tax positions, and it is possible that the amount of the liability for unrecognized tax benefits could change during the next twelve months. The tax years that remain open for examination for Predecessor Growth Partners' major jurisdictions are 2010 through 2013 for the U.S. and Canada and 2011 through 2013 for Israel.

Predecessor Growth Partners believes that it is reasonably possible that the unrecognized tax benefits will not increase or decrease significantly within the next twelve months. Audit outcomes and the timing of audit settlements are subject to significant uncertainty. Although Predecessor Growth Partners believes that adequate provision has been made for such issues, there is the possibility that the ultimate resolution of such issues could have an adverse effect on their earnings. Conversely, if these issues are resolved favorably in the future, the related provision would be reduced, thus having favorable impact on earnings.

Note 11 — Fair Value Measurements

The fair value hierarchy defines fair value as an exit price, representing the amount that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based upon assumptions that market participants would use in pricing an asset or liability. The fair value hierarchy establishes three tiers, which prioritize the inputs used in measuring fair value as follows:

- Level 1:** Observable inputs such as quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date;
- Level 2:** Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3:** Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The following table represents the fair value of Predecessor Growth Partners' assets and liabilities that are required to be measured at fair value:

		Fair Value Measurements at Reporting Date Using			
		Quoted Prices in Active Markets for Identical Financial Instruments	Significant Other Observable Inputs	Significant Unobservable Inputs	
(In millions)	Total	Level 1	Level 2	Level 3	
December 31, 2012					
Assets:					
Investments in notes from related party	\$ 790.6	\$ —	\$ 790.6	\$ —	—
Liabilities:					
Contingent consideration related to acquisitions	5.6	—	—	—	5.6
Fair Value Measurements Using Significant Unobservable Inputs					
		Contingent Consideration			
(In millions)		Level 3			
Balance at January 1, 2012		\$ —			—
Addition					5.6
Balance at December 31, 2012		\$ 5.6			

Predecessor Growth Partners' assessment of goodwill and other intangible assets for impairment includes an assessment using various Level 2 (EBITDA multiples and discount rate) and Level 3 (forecasted cash flows) inputs. Predecessor Growth Partners' determination of stock-based compensation includes the valuation of CIE's common stock and the related options and warrants using various Level 2 and Level 3 inputs.

As part of the preliminary purchase price allocation related to its acquisition of Buffalo Studios in December 2012, Predecessor Growth Partners recorded \$5.6 million in contingent consideration, which is remeasured at fair value until settlement under ASC 805, *Business Combinations*. This contingent consideration is payable in 2014, based upon a multiple of EBITDA for the calendar year 2013 in excess of a specified minimum threshold (generally referred to as an "earn-out" payment). This liability falls into Level 3 within the fair value hierarchy and was adjusted to its estimated fair value of \$55.6 million as of October 21, 2013. The change of \$50.0 million in the estimated value of the contingent consideration between the time the initial estimate was finalized and October 21, 2013 is recorded in the Change in fair value of contingent consideration line of the Combined Statements of Operations. A probability approach considering the various estimated calendar 2013 EBITDA levels and related likelihood of achieving those levels, resulting in different values for the earn-out payment was applied in estimating the fair value of this earn-out liability.

Predecessor Growth Partners may have to pay additional consideration associated with its acquisitions of the WSOP mobile poker game contingent upon meeting or exceeding of specified performance criteria.

Entities are permitted to choose to measure certain financial instruments and other items at fair value. Predecessor Growth Partners has not elected the fair value measurement option for any of its assets or liabilities that meet the criteria for this option.

Predecessor Growth Partners' long-term debt bears interest based upon variable market interest rates. The fair value of such debt approximates its face value as of December 31, 2012.

Note 12 — Litigation, Contractual Commitments and Contingent Liabilities

Litigation

From time to time, CAC, Predecessor Growth Partners, or CGP LLC may be subject to legal proceedings and claims in the ordinary course of business.

Multiple lawsuits have been filed against CBAC Gaming, LLC ("CBAC"), the City of Baltimore, the MDE and other parties in relation to the proposed location and the development of Horseshoe Baltimore. These cases allege violations of various environmental laws, violations of zoning laws and public nuisance, among other claims. Although CAC, Predecessor Growth

Partners, and CGP LLC believe that they have adequate defenses to these claims, an adverse judgment could result in additional costs, delays in construction, or injunctions.

In November 2012, the MDE granted approval of the Maryland Joint Venture's amended RAP under MDE's Voluntary Cleanup Program that named the Maryland Joint Venture, rather than the City of Baltimore, as the party that will implement the RAP and redevelop the proposed location of Horseshoe Baltimore. On February 20, 2013, a group of local residents working with the non-profit Inner Harbor Stewardship Foundation (the "Foundation") filed a complaint in the Maryland Circuit Court challenging the legality of the MDE's approval of the amended RAP. In the case, known as Ruth Sherrill, et al. v. State of Maryland Department of the Environment, et al., the Plaintiffs claimed that the amended RAP was approved without complying with the public notice and participation requirements of Maryland law. The plaintiffs sought additional public notice and participation, and to obtain an injunction on, among other things, any construction activities at the site pending the resolution of the case. On March 14, 2013, the court denied the plaintiffs' motion for a Temporary Restraining Order and Preliminary Injunction ("TRO"). The plaintiffs' appeal of the TRO ruling was dismissed. On April 22, 2013, the plaintiffs filed an amended complaint adding a public nuisance claim to their original complaint. The Maryland Joint Venture filed a motion to dismiss the plaintiffs' amended complaint and a hearing was held on the motion on June 14, 2013. The amended complaint was dismissed on November 6, 2013. The plaintiffs filed a notice of appeal on December 6, 2013 and oral arguments are scheduled for September 2014 .

The plaintiffs issued a notice of intent to file a citizen suit under 42 U.S.C. §§ 6972(a)(1)(A) and (a)(1)(B) of the Resource Conservation and Recovery Act. This notice of intent indicated an intention to sue CBAC, the City of Baltimore, Whiting-Turner, the general contractor for the construction of the Horseshoe Casino, and the Maryland Chemical Company, the former owner and operator of the site. The citizen suit was filed on September 19, 2013, but did not name Whiting-Turner. The defendants filed motions to dismiss on October 15, 2013 for lack of subject matter jurisdiction and failure to state a claim to which plaintiffs responded on November 1, 2013. No hearing has been set on the motions to dismiss.

The decision of the Board of Municipal Zoning Appeals to grant variances for the site for Horseshoe Baltimore was appealed by separate parties on the basis of alleged procedural irregularities. The appeals were dismissed for lack of standing on October 11, 2013 and no appeal of that decision was timely filed.

On August 1, 2013, ten individuals claiming to represent a class of similarly situated individuals filed a complaint in the U.S. District Court for the Northern District of Maryland against the Maryland Department of the Environment, the City of Baltimore, the U.S. Environmental Protection Agency, CBAC Gaming, LLC, Whiting-Turner Contracting Company, and Urban Green Environmental, LLC. The 11 count complaint alleged that the RAP for the proposed location of Horseshoe Baltimore is inadequate and approved without appropriate public participation. Plaintiffs seek declaratory and injunctive relief, compensatory and punitive damages, and claim violations of civil rights laws and the Clean Water Act, civil conspiracy, and a variety of torts. The plaintiffs also sought a temporary restraining order, which the District Court denied on August 9, 2013. Plaintiffs amended their complaint on November 15, 2013 and again on December 26, 2013, adding 44 new plaintiffs and naming MDE, the Secretary of MDE, the City of Baltimore, the Mayor of the City of Baltimore, the Baltimore Development Corporation, and CBAC Gaming and CBAC Borrower as defendants. The defendants filed motions to dismiss on January 27, 2014 and plaintiffs filed their oppositions on February 28, 2014.

From time to time, the City of Baltimore may be subject to legal proceedings asserting claims related to the site. At this time, CAC, Predecessor Growth Partners, and CGP LLC have not been named as parties to these proceedings. However, an unfavorable outcome for the City of Baltimore could lead to construction delays if it were determined that corrective action was required and could not be implemented successfully offsite.

Four residents of Baltimore City and County issued a notice of intent to file a citizen suit under 33 U.S.C. § 1365(b) of the Clean Water Act against the City of Baltimore as owner of the site for water pollution alleged to originate there. A lawsuit was filed on behalf of two of the residents on July 2, 2013. The City of Baltimore moved to dismiss the complaint on August 28, 2013. One of the plaintiffs withdrew from the case on October 10, 2013. The U.S. District Court for the District of Maryland dismissed the case without prejudice on January 7, 2014 for lack of standing.

Two residents of Baltimore City filed suit on May 20, 2013 against the City of Baltimore, as owner of the site, alleging that the City of Baltimore was in violation of Maryland water pollution laws as a result of groundwater contamination alleged to be migrating from the site. The City of Baltimore was served with the complaint on June 12, 2013. An amended complaint was filed on July 19, 2013, which the City of Baltimore moved to dismiss on August 6, 2013. Plaintiffs dismissed the complaint without prejudice on September 12, 2013.

Playtika Employment Agreements

In December 2011, a subsidiary of Caesars Interactive entered into employment agreements with certain selling shareholders of Playtika who had been managing Playtika both prior and subsequent to CIE's May 2011 acquisition. Under these employment agreements, a subsidiary of Caesars Interactive agreed to pay \$4.0 million in success bonuses; \$2.0 million to each

of two employees in the event that each employee is still employed 29 months from the commitment date of the employment agreement. If the employee's employment is terminated without cause or terminated by the employee for good reason prior to the completion of the required 29 months of service, but after completion of service through July 1, 2013, each of the employees is entitled to receive 40% of this success bonus.

In addition, Caesars Interactive has remaining success bonuses payable to certain other Playtika employees of \$1.1 million payable during the year ending December 31, 2014. These success bonuses are dependent upon the receiving individuals still being employed on the dates that such bonuses become payable. Success bonuses are included in Accrued expenses in the Combined Balance Sheet with a charge to compensation expense over the required service period.

In June 2013, Predecessor Growth Partners recognized compensation expense in connection with the resignation of a Playtika senior management member. This expense is included in Property, general, administrative and other in the Combined Statements of Operations.

Planet Hollywood Energy Services Agreement

Planet Hollywood's predecessor entered into an Energy Services Agreement ("ESA") with Northwind Aladdin, LLC ("Northwind") on September 24, 1998, subject to five subsequent amendments. Under the terms of the amended ESA, Northwind is required to provide chilled water, hot water and emergency power to Planet Hollywood from a central utility plant for a term that expires February 29, 2020. Planet Hollywood recorded expenses of \$2.5 million for the period from January 1 through October 21, 2013 and \$3.0 million for each of the years ended December 31, 2012 and 2011 , which are included in Property, general, administrative and other expenses in the accompanying Combined Statements of Operations.

Planet Hollywood Self-Insurance

Planet Hollywood was self-insured by Caesars Entertainment and its subsidiaries up to certain limits for costs associated with general liability, workers' compensation, and employee health coverage through June 2013. See Note 18 — Related Party Transactions for additional information.

Planet Hollywood Participation and Servicing Agreement

In 2009, the predecessor of Planet Hollywood entered into an agreement to purchase a participation interest in certain mortgaged properties. Under the terms of this agreement, Planet Hollywood is required to pay the counterparty \$5.6 million at the earlier of October 5, 2015, or on March 31 subsequent to the first year that such mortgaged properties generate a positive net cash flow in excess of a pre-determined minimum amount. The mortgaged properties have not and are not expected to generate a positive net cash flow in excess of this pre-determined minimum amount within the next calendar year, and the associated liability has been included in Deferred credits and other within the Combined Balance Sheet.

Entertainment Commitments

In July 2013, Planet Hollywood terminated its lease with a third-party in order to retake possession of the larger performance theater space in Planet Hollywood, recently rebranded as The AXIS Powered by Monster at Planet Hollywood Resort & Casino. In connection with that transaction, Planet Hollywood refurbished the theater and entered into a two -year performance agreement with Britney Spears pursuant to which Ms. Spears has agreed to perform a total of 96 shows at The AXIS Powered by Monster at Planet Hollywood Resort & Casino starting in December 2013. The performance agreement with Ms. Spears contains customary representations, warranties, covenants and agreements and exclusivity and non-compete provisions for similar transactions. Aggregate commitments under the lease termination agreement, amounts committed to refurbishing the theater and commitments under the performance agreement aggregate approximately \$47.6 million through December 31, 2015.

Contingent Consideration

It is expected that additional consideration will be paid associated for acquisitions as further discussed in Note 11 — Fair Value Measurements .

Note 13 — Leases

Predecessor Growth Partners leases both real estate and equipment used in its operations and classifies those leases as either operating or capital leases for accounting purposes. As of October 21, 2013 , Predecessor Growth Partners had no material capital leases and the remaining lives of its operating leases ranged from one to 84 years with various automatic extensions.

A subsidiary of Caesars Baltimore Investment Company, LLC entered into a ground lease agreement with the City of Baltimore in October 2012 in relation to Horseshoe Baltimore. The subsidiary took possession and started the lease term in July 2013. The total minimum lease payments relating to the aforementioned lease are \$197.3 million and have been reflected in the operating lease table below.

Rental expense associated with operating leases is charged to expense in the year incurred. Rental expense for operating leases and other month-to-month cancellable leases are included in Operating expenses in the Combined Statements of Operations and amounted to \$13.8 million, \$12.5 million and \$12.3 million for the period from January 1 through October 21, 2013 and for the years ended December 31, 2012 and 2011, respectively.

As of October 21, 2013, Predecessor Growth Partners' future minimum rental commitments under its non-cancellable operating leases are as follows:

(In millions)

Year	Non-cancellable operating leases
2013	\$ 1.6
2014	10.4
2015	18.1
2016	19.8
2017	21.8
2018	22.8
Thereafter	718.2
Total minimum rent commitments	<u><u>\$ 812.7</u></u>

Note 14 — Supplemental Cash Flow Information

The increase/(decrease) in cash and cash equivalents due to the changes in working capital accounts were as follows:

(In millions)	January 1, 2013 Through October 21, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Payable to related parties	\$ 30.6	\$ 10.9	\$ (15.5)
Accrued expenses	1.4	13.2	1.3
Accounts payable	(0.6)	2.0	3.1
Prepayments and other current assets	(1.3)	(0.9)	(0.2)
Foreign tax payable	(10.5)	5.8	5.0
Receivables	(10.2)	(9.3)	(9.8)
Interest receivable from related party	(9.4)	(0.1)	(0.1)
Net change in working capital accounts	<u><u>\$ —</u></u>	<u><u>\$ 21.6</u></u>	<u><u>\$ (16.2)</u></u>

The following table reconciles Interest expense, net of interest capitalized, per the Combined Statements of Operations, to cash paid for interest:

(In millions)	January 1, 2013 Through October 21, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Interest expense, net of interest capitalized	\$ 39.7	\$ 41.7	\$ 39.9
Adjustments to reconcile to cash paid for interest:			
Net change in accruals	(1.2)	0.5	(0.7)
Net amortization of debt discounts	(18.8)	(21.4)	(20.1)
Amortization of accumulated other comprehensive loss	—	—	(0.1)
Capitalized interest	0.8	0.1	0.2
Cash paid for interest	<u><u>\$ 20.5</u></u>	<u><u>\$ 20.9</u></u>	<u><u>\$ 19.2</u></u>
Cash payments for income taxes, net			
	<u><u>\$ 24.2</u></u>	<u><u>\$ 16.8</u></u>	<u><u>\$ 3.6</u></u>

Non-cash investing activities include \$25.6 million of purchases classified as Land, property and equipment, net in the Consolidated Balance Sheet which had corresponding liabilities in Accounts Payable as of October 21, 2013.

Note 15 — Stock-Based Compensation and Employee Benefit Plans

A number of employee benefit programs are established for purposes of attracting, retaining, and motivating employees. The following is a description of the basic components of these programs as of October 21, 2013 .

Stock-Based Compensation Plans

Caesars Entertainment grants stock-based compensation awards in Caesars Entertainment common stock to certain employees that work for the management companies of Planet Hollywood and Horseshoe Baltimore under the Caesars 2012 Performance Incentive Plan. Predecessor Caesars Entertainment's allocated expense associated with Planet Hollywood or Horseshoe Baltimore executives' stock-based awards for the period from January 1 through October 21, 2013 and for the years ended December 31, 2012 and 2011 , was not considered material to the combined financial statements.

Caesars Interactive grants stock-based compensation awards in Caesars Interactive common stock to its employees and service providers in accordance with the Plan, which is intended to promote the interests of Caesars Interactive and its shareholders by providing key employees, directors, service providers and consultants with an incentive to encourage their continued employment or service and improve the growth and profitability of Caesars Interactive.

The following is a description of the components of these programs under the Plan as of October 21, 2013 :

Stock options and warrants

Time-based stock options have been granted to Caesars Interactive employees and non-employees, and time-based warrants have been granted to non-employees. Historically, both the options and warrants were generally subject to a five -year vesting period; vesting 20% per year on each anniversary of its effective date, until 100% of the options or warrants are fully vested and exercisable. Vesting is subject to the participant's continued employment or service for non-employees, through the applicable vesting date.

On September 30, 2013 and October 10, 2013, certain key Caesars Interactive employees and non-employees were granted time-based stock options which vest ratably over a period of either five or seven years.

Certain Caesars Interactive employees have been granted Caesars Interactive stock options, and one service provider has been granted a warrant to purchase common stock of Caesars Entertainment, with vesting conditions associated with the legalization and implementation of online gaming in the U.S. These stock options and warrants vest based on conditions other than market, performance or service conditions and therefore have been recorded as liability-classified instruments and are measured at their fair value at each reporting date for accounting purposes. Predecessor Growth Partners is recognizing the stock compensation expense associated with these awards over the 10 year contractual life of each of the awards.

All warrants to Caesars Interactive non-employees and the majority of the stock options to employees and non-employees contain a call option, at a fixed amount, which is exercisable by Caesars Interactive. Since the embedded call feature is at a fixed price, the call feature could potentially result in a repurchase amount that is less than the fair value of the underlying shares. Therefore, these options and warrants are liability-classified instruments and are measured at fair value at each reporting date for accounting purposes. Options without this call provision are equity-classified instruments and are measured at their fair value at the date of grant for accounting purposes. All unexercised options and warrants expire on the tenth anniversary of the grant date.

As of December 31, 2012, Caesars Interactive had approximately 4,484 shares available for awards under the Plan. The Plan was amended and restated during the third quarter of 2013 to, among other things, increase the shares available under the Plan. The following is a summary of Caesars Interactive's stock option and warrant activity for the years ended December 31, 2012 and 2011:

	Shares	Weighted Average Exercise Price	Fair Value ⁽¹⁾	Weighted Average Remaining Contractual Term (years)
Outstanding at January 1, 2011	9,312	\$ 1,586.50	\$ 93.47	8.4
Granted (employee time-based stock options)	2,077	\$ 1,586.50	\$ 228.80	
Granted (non-employee time-based warrants)	125	\$ 1,586.50	\$ 148.86	
Outstanding at December 31, 2011	<u>11,514</u>	<u>\$ 1,586.50</u>	<u>\$ 118.48</u>	7.9
Vested and expected to vest at December 31, 2011	<u>10,392</u>	<u>\$ 1,586.50</u>	<u>\$ 119.05</u>	7.9
Exercisable at December 31, 2011	<u>3,596</u>	<u>\$ 1,586.50</u>	<u>\$ 93.23</u>	7.9
Outstanding at January 1, 2012	<u>11,514</u>	<u>\$ 1,586.50</u>	<u>\$ 118.48</u>	7.9
Granted (employee time-based stock options)	1,442	\$ 5,360.86	\$ 2,724.86	
Canceled (employee time-based stock options)	(40)	\$ 4,231.96	\$ 1,884.05	
Outstanding at December 31, 2012	<u>12,916</u>	<u>\$ 1,999.71</u>	<u>\$ 386.18</u>	7.2
Vested and expected to vest at December 31, 2012	<u>11,448</u>	<u>\$ 1,991.96</u>	<u>\$ 381.75</u>	7.2
Exercisable at December 31, 2012	<u>6,365</u>	<u>\$ 1,586.50</u>	<u>\$ 107.60</u>	7.2

⁽¹⁾ Represents the average grant date fair value per option, using a Monte Carlo simulation model.

When information is available, Caesars Interactive uses historical stock option and warrant holder behavioral data to estimate the option or warrant exercise and termination rates used in the option-pricing model. As CIE does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term, it was calculated through the Monte Carlo model assuming that the options and warrants will be disposed of either post-vesting but prior to a liquidity event, at the date of a liquidity event or after a liquidity event. Expected volatility was based on the historical volatility of the common stock of CIE's competitor peer group for a period approximating the expected life. Caesars Interactive has no current intention to pay dividends on its common stock. The risk-free interest rate within the expected term was based on the U.S. Treasury yield curve in effect at the time of grant. Valuation assumptions for Caesars Interactive's stock options and warrants for the indicated periods are presented below:

	January 1, 2013 Through October 21, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Expected range of volatility	51.1 - 61.3%	59.4 - 61.3%	52.7 - 65.2%
Expected dividend yield	—%	—%	—%
Expected range of term (in years)	3.2 - 7.7	4.2 - 7.1	5.3 - 7.9
Risk-free interest rate range	0.6 - 2.2%	0.6 - 1.2%	0.4 - 1.5%

As of December 31, 2012, there was approximately \$12.4 million of total unrecognized compensation expense related to Caesar Interactive's stock options to employees and \$2.4 million of total unrecognized compensation expense related to warrants to non-employees. As of December 31, 2012, this cost is expected to be recognized over a remaining average period of 2.1 years.

For the period from January 1 through October 21, 2013 and for the years ended December 31, 2012 and 2011, the compensation cost that has been charged against earnings for stock options and warrants was approximately \$5.7 million, \$8.6 million and \$10.1 million, respectively, which was included in Property, general, administrative and other in the Combined Statements of Operations. As of December 31, 2012, there was \$18.7 million recognized in Deferred credits and other in the Combined Balance Sheet related to liability-classified stock options and warrants.

Restricted Shares and Restricted Stock Units

Certain key employees of a subsidiary of Caesars Interactive have been granted restricted shares, which vest on the third anniversary of grant as long as the employee remains employed through this anniversary date. Prior to July 25, 2012, certain of the restricted shares contained a call option, at a fixed amount, which was exercisable by Caesars Interactive. Therefore, these restricted shares were liability-classified instruments and were measured at fair value at each reporting date for accounting purposes. This call option was removed from the restricted shares on July 25, 2012 at which time the shares were reclassified to equity classified awards. There was no incremental cost associated with this modification as the modification did

not alter the fair value of the underlying award. The liability recognized in the Combined Balance Sheet was reclassified to Additional paid-in capital on the modification date. Restricted shares without this call provision are equity-classified instruments and are measured at their fair value at the date of grant for accounting purposes.

On September 30, 2013 and October 10, 2013 certain key Caesars Interactive employees were granted restricted stock units ("RSUs"), which are subject to either a five -year or seven -year vesting period. For RSU awards subject to a seven-year vesting period, 25% of the award vests ratably over four years, 25% vests ratably over five years, 25% vests ratably over six years and 25% vests ratably over seven years. The remaining RSUs granted on September 30, 2013 and October 10, 2013 are subject to a five -year vesting period such that 20% of the awards vest in each year starting with and subsequent to the first anniversary of the grant date. Restricted shares and RSUs are equity-classified instruments and are measured at their fair value at the date of grant for accounting purposes.

On June 2, 2013, Predecessor Growth Partners entered into a binding letter agreement for the separation of employment of a senior management team member of a subsidiary of Caesars Interactive. Under this memorandum of understanding, this individual has agreed to forfeit his unvested options and exercise his vested options, and Predecessor Growth Partners has agreed to purchase from this individual, at an agreed upon price, the shares he acquires pursuant to the exercise of his options, plus previously owned Management Shares and restricted shares, subject to the execution of a final definitive agreement.

The following is a summary of Caesars Interactive's RSU and restricted share activity for the year ended December 31, 2012 :

	Shares	Fair Value	Weighted Average Remaining Contractual Term (years)
Outstanding (non-vested) at January 1, 2011	—	\$ —	—
Granted	2,831	\$ 905.38	—
Outstanding (non-vested) at December 31, 2011	2,831	\$ 905.38	3.0
Granted	—	\$ —	—
Outstanding (non-vested) at December 31, 2012	<u>2,831</u>	<u>\$ 905.38</u>	2.0

For the period from January 1 through October 21, 2013 and for the years ended December 31, 2012 and 2011 , total compensation expense that was recorded in earnings for restricted shares, including amounts incurred in connection with the resignation of a senior management member, was approximately \$7.5 million , \$2.8 million and \$0.1 million , respectively. This expense is included in Property, general, administrative and other in the Combined Statements of Operations.

Management Shares

In October 2011, certain key CIE employees purchased common stock of Caesars Interactive Entertainment ("Management Shares"). Management Shares are equity-classified instruments for accounting purposes.

In January 2013, CIE offered to purchase a portion of the Management Shares owned by certain members of CIE management at a price of \$5,221 per share. Aggregate consideration paid by Caesars Interactive for all shares purchased in the transaction amounted to \$2.7 million .

In July 2013, CIE offered to purchase a portion of the Management Shares owned by certain members of CIE management at a price of \$5,446 per share. Aggregate consideration paid by Caesars Interactive for all shares purchased in the transaction amounted to \$7.2 million .

Valuation of Caesars Interactive Common Stock

Caesars Interactive determines the value of its common stock in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation (the "Practice Aid"). The valuations of CIE's common stock were performed retrospectively by an internal valuation specialist for valuation dates of March 31, 2012 and earlier. The valuations of CIE's common stock were performed contemporaneously by this same internal valuation specialist for the valuation dates between March 31, 2012 and June 30, 2012. Valuations subsequent to June 30, 2012 were determined with the assistance of a third-party valuation firm.

In performing these valuations, the valuation specialists considered the appropriate valuation methodology to use based on the stage of development of CIE at each valuation date, in accordance with the Practice Aid. The valuation specialists considered a number of significant valuation events including, but not limited to, voluntary redemptions of shares by management shareholders electing to redeem such shares, exercises of options by third-party investors to purchase shares of common stock, recent initial public offerings in the social and mobile gaming segment, independent third-party valuations of the WSOP trade name and exclusive rights to host the WSOP tournaments, and recent acquisitions.

Employee Benefits Plans

Caesars Entertainment maintains a defined contribution savings and retirement plan in which employees of both CIE and the management companies of Planet Hollywood and Horseshoe Baltimore may participate. The plan, among other things, provides for pretax and after-tax contributions by employees. Under the plan, participating employees may elect to contribute up to 50% of their eligible earnings, provided that participants who are designated as highly compensated will have their contributions limited to ensure the plan does not discriminate in their favor. In April 2012, Caesars Entertainment reinstated a limited employer match. Predecessor Growth Partners' reimbursement for Caesars Entertainment's contribution expense for the period from January 1 through October 21, 2013 and for the year ended December 31, 2012 was \$0.5 million and \$0.4 million, respectively. There were no such reimbursements for the year ended December 31, 2011.

Caesars Entertainment also maintains deferred compensation plans, stock-option plans, and an executive supplemental savings plan under which certain employees of the management company of Planet Hollywood's management and Horseshoe Baltimore may defer a portion of their compensation. The expenses charged by Caesars Entertainment to Planet Hollywood for employees' participation in these programs are included in Property, general, administrative and other in the Combined Statements of Operations.

Certain employees of Caesars Entertainment are covered by union sponsored, collectively bargained, health and welfare multiemployer benefit plans. Caesars Entertainment allocates a portion of the costs associated with these plans to Planet Hollywood. Planet Hollywood's reimbursement for Caesars Entertainment's contributions and charges for these plans were \$7.4 million, \$8.4 million and \$8.5 million for the period from January 1 through October 21, 2013 and for the years ended December 31, 2012 and 2011, respectively. These expenses are included in Property, general, administrative and other in the Combined Statements of Operations.

Note 16 — Property, General, Administrative and Other

Property, general, administrative and other expense consisted of the following:

<u>(In millions)</u>	<u>January 1, 2013 Through October 21, 2013</u>	<u>Year Ended December 31, 2012</u>	<u>Year Ended December 31, 2011</u>
Advertising	\$ 46.2	\$ 34.3	\$ 12.5
Payroll costs	29.8	21.5	18.6
Management fee	14.2	16.1	16.1
Utilities	8.8	8.3	9.2
License, franchise tax and other	11.2	12.2	11.3
Research and development	23.1	15.6	2.3
Rental expense	10.9	8.1	7.9
Corporate allocations	8.3	7.0	6.3
Stock-based compensation	13.2	11.4	10.9
Professional services	5.4	7.7	5.1
Other	23.7	46.8	28.1
	\$ 194.8	\$ 189.0	\$ 128.3

Note 17 — Segments

For financial reporting purposes, Predecessor Growth Partners has two reportable segments: (1) Interactive Entertainment; and (2) Casino Properties and Developments. The Interactive Entertainment segment consists of social and mobile games that are played on various global social and mobile third-party platforms, licensing of the WSOP trade name to third parties for use in social and mobile games and online real money gaming, and the licensing of the WSOP trade name, television rights and sponsorship for WSOP live tournaments. The Interactive Entertainment segment also includes use of the WSOP and Caesars brands for regulated online real money gaming in Nevada, New Jersey, and the United Kingdom. The Casino Properties and Developments segment consists of Predecessor Growth Partners' interests in a certain joint venture in a gaming facility in Baltimore, Maryland, and the Planet Hollywood business, which consists of hotel, related food, beverage, entertainment, and parking amenities as well as gaming facility operations. Amounts not aggregated with either the Interactive Entertainment reportable segment or the Casino Properties and Development segment relate to the Investments in notes from related party and related tax impacts, and are reported separately in the Other column in the tables below.

Revenue attributed to the reportable segments is as follows:

<u>(In millions)</u>	<u>January 1, 2013 Through October 21, 2013</u>	<u>Year Ended December 31, 2012</u>	<u>Year Ended December 31, 2011</u>
<i>Interactive Entertainment</i>			
Social and mobile games	\$ 232.3	\$ 193.3	\$ 53.9
WSOP and online real money gaming	10.3	14.4	12.6
	<u>242.6</u>	<u>207.7</u>	<u>66.5</u>
<i>Casino Properties and Developments</i>			
Casino	137.1	171.2	167.3
Food and beverage	70.0	69.7	68.4
Rooms	80.1	91.9	94.1
Other	22.6	21.1	25.0
Less: casino promotional allowances	(39.6)	(50.2)	(48.6)
	<u>270.2</u>	<u>303.7</u>	<u>306.2</u>
Net revenues	<u>\$ 512.8</u>	<u>\$ 511.4</u>	<u>\$ 372.7</u>

Total assets were not included in the segment information above as the segment level balance sheet information is not reviewed by Predecessor Growth Partners' chief operating decision maker.

The following Segment EBITDA information is presented based on the reporting segments:

<u>(In millions)</u>	<u>January 1, 2013 Through October 21, 2013</u>			
	<u>Interactive Entertainment</u>	<u>Casino Properties and Developments</u>	<u>Other</u>	<u>Total</u>
Income/(loss) from operations	\$ (1.3)	\$ 45.1	\$ —	\$ 43.8
Depreciation and amortization	13.7	21.4	—	35.1
Loss on extinguishment of debt	—	(0.7)	—	(0.7)
Other income/(expense), net	0.1	0.2	—	0.3
Segment EBITDA	<u>12.5</u>	<u>66.0</u>	<u>—</u>	<u>78.5</u>
Depreciation and amortization	(13.7)	(21.4)	—	(35.1)
Interest expense, net of interest capitalized	(2.2)	(37.5)	—	(39.7)
Interest income-related party	—	—	138.5	138.5
Benefit from/(provision for) income taxes	3.0	(4.8)	(48.5)	(50.3)
Net (loss)/income	<u>\$ (0.4)</u>	<u>\$ 2.3</u>	<u>\$ 90.0</u>	<u>\$ 91.9</u>

<u>(In millions)</u>	<u>Year Ended December 31, 2012</u>			
	<u>Interactive Entertainment</u>	<u>Casino Properties and Developments</u>	<u>Other</u>	<u>Total</u>
Income from operations	\$ 50.0	\$ 38.5	\$ —	\$ 88.5
Depreciation and amortization	7.1	25.1	—	32.2
Other income/(expense), net	1.9	—	—	1.9
Segment EBITDA	<u>59.0</u>	<u>63.6</u>	<u>—</u>	<u>122.6</u>
Depreciation and amortization	(7.1)	(25.1)	—	(32.2)
Interest expense, net of interest capitalized	(4.1)	(37.6)	—	(41.7)
Interest income-related party	—	—	145.1	145.1
Provision for income taxes	(13.7)	(1.9)	(50.8)	(66.4)
Net income/(loss)	<u>\$ 34.1</u>	<u>\$ (1.0)</u>	<u>\$ 94.3</u>	<u>\$ 127.4</u>

<u>(In millions)</u>	Year Ended December 31, 2011			
	Interactive Entertainment	Casino Properties and Developments	Other	Total
Income from operations	\$ 12.0	\$ 49.9	\$ —	\$ 61.9
Depreciation and amortization	4.0	25.6	—	29.6
Loss on extinguishment of debt	—	(2.6)	—	(2.6)
Other income/(expense), net	0.1	—	—	0.1
Segment EBITDA	16.1	72.9	—	89.0
Depreciation and amortization	(4.0)	(25.6)	—	(29.6)
Interest expense, net of interest capitalized	(3.1)	(36.8)	—	(39.9)
Interest income-related party	—	—	123.7	123.7
Provision for income taxes	(3.7)	(3.7)	(43.3)	(50.7)
Net income	\$ 5.3	\$ 6.8	\$ 80.4	\$ 92.5

The following geographical segment information is presented based on the geographical region of each subsidiary's country of domicile:

<u>(In millions)</u>	January 1, 2013 Through October 21, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Revenues			
United States	\$ 340.9	\$ 318.1	\$ 318.8
Israel	171.9	193.3	53.9
Net revenues	\$ 512.8	\$ 511.4	\$ 372.7

<u>(In millions)</u>	December 31, 2012
Land, property and equipment, net	
United States	\$ 417.9
Israel	2.5
Total land, property and equipment, net	\$ 420.4

Note 18 — Related Party Transactions

WSOP Trade Name

In 2009, Caesars Interactive acquired the WSOP trademarks and associated rights from CEOC for \$15.0 million. At the same time, Caesars Interactive entered into a Trademark License Agreement with CEOC, pursuant to which CEOC acquired an exclusive, perpetual, royalty-free license to use the WSOP trademarks in connection with hosting the WSOP tournaments, operating WSOP branded poker rooms and selling certain WSOP branded retail items. This agreement remains in effect indefinitely, unless earlier terminated pursuant to the agreement's terms.

In 2011, Caesars Interactive entered into a series of transactions pursuant to which Caesars Interactive effectively repurchased the exclusive rights to host the WSOP tournaments from CEOC for \$20.5 million. The 2009 Trademark License Agreement remains in effect with respect to WSOP branded poker rooms and retail items, but the rights to host WSOP tournaments are owned by Caesars Interactive. As part of the 2011 transactions, Caesars Interactive entered into a Trademark License Agreement with CEOC pursuant to which Caesars Interactive granted CEOC the right to host the WSOP tournaments at the Rio Hotel in Las Vegas or at such other property agreed to by the parties, in exchange for a \$2.0 million per year fee. Simultaneously, Caesars Interactive entered into a Circuit Event Agreement with CEOC pursuant to which Caesars Interactive granted CEOC the right to host a certain number of WSOP circuit events at various properties of CEOC for a price of \$75,000 per event. Both agreements are in effect until September 1, 2016, unless earlier terminated pursuant to the agreements' respective terms. Revenues under this agreement associated with the WSOP circuit events amounted to \$1.3 million, \$1.6 million and \$0.4 million for the period from January 1 through October 21, 2013 and the years ended December 31, 2012 and 2011, respectively.

Cross Marketing and Trademark License Agreement

In 2011, Caesars Interactive entered into a Cross Marketing and Trademark License Agreement with Caesars World, Inc., Caesars License Company, LLC, Caesars Entertainment and CEOC. In addition to granting Caesars Interactive the exclusive rights to use various brands of Caesars Entertainment in connection with social and mobile games and online real

money gaming in exchange for a 3% royalty, this agreement also provides that CEOC will provide certain marketing and promotional activities for Caesars Interactive, including participation in Caesars Entertainment's Total Rewards loyalty program, and Caesars Interactive will provide certain marketing and promotional activities for Caesars Entertainment and CEOC. The agreement also provides for certain revenue share arrangements where Caesars Interactive pays CEOC for customer referrals. This agreement is in effect until December 31, 2026, unless earlier terminated pursuant to the agreement's terms. For the period from January 1 through October 21, 2013 and the year ended December 31, 2012 , Caesars Interactive paid \$0.5 million and \$0.4 million respectively pursuant to the terms of the Cross Marketing and Trademark License Agreement. No material amounts were paid during the year ended December 31, 2011.

Reimbursement and Consulting Arrangement with Stephenson Management Inc.

Stephenson Management Inc. ("Stephenson"), a holding company controlled by Caesars Interactive's Chief Executive Officer, Mitch Garber, was the owner of a private aircraft. When Mr. Garber traveled for a business purpose for Caesars Interactive, Stephenson assumed all of the operating expenses of the aircraft, and Caesars Interactive reimbursed Stephenson for the approximate cost of the prevailing price of a commercial airline ticket for Mr. Garber and any other employee or business related passenger on the flight.

In addition, CEOC and Stephenson were parties to a Consulting Agreement, dated as of January 26, 2009, pursuant to which Stephenson provided consulting services to CEOC in respect of online and other assets controlled by CEOC. Stephenson was paid CAD \$20,350 each calendar month, which consisted of \$15,000 converted at a fixed exchange rate of CAD \$1.18 to \$1.00 and a gross up to cover the required Canadian Goods and Services Tax and the required Provincial Sales Tax in Canada.

The reimbursement of Stephenson ceased during the year ended December 31, 2012.

Allocated general corporate expenses

The Combined Statements of Operations reflect an allocation of both expenses incurred in connection with shared services agreements and directly billed expenses incurred through Caesars Entertainment and CEOC. General corporate expenses have been allocated based on a percentage of revenue, or on another basis (such as headcount), depending upon the nature of the general corporate expense being allocated. For the period from January 1 through October 21, 2013 and for the years ended December 31, 2012 and 2011 , Predecessor Growth Partners recorded allocated general corporate expenses and directly billed expenses totaling \$22.0 million , \$26.4 million and \$24.4 million , respectively. As of December 31, 2012 , the net payable balances for allocated and directly billed expenses is recorded in Payables to related party in the Combined Balance Sheet and was \$18.2 million ,

The accompanying combined financial statements also include allocations of certain Caesars Entertainment general corporate expenses in accordance with shared services agreements under which Caesars Entertainment and its subsidiaries provide services to both Caesars Interactive and Planet Hollywood. These allocations of general corporate expenses may not reflect the expense Predecessor Growth Partners would have incurred if it were a stand-alone company nor are they necessarily indicative of Predecessor Growth Partners' future costs. Management believes the assumptions and methodologies used in the allocation of general corporate expenses from Caesars Entertainment are reasonable. Given the nature of these costs, it is not practicable for Predecessor Growth Partners to estimate what these costs would have been on a stand-alone basis.

Planet Hollywood Self-Insurance

Planet Hollywood was self-insured by Caesars Entertainment and its subsidiaries up to certain limits for costs associated with general liability, workers' compensation, and employee health coverage through June 2013. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims. In estimating these reserves, historical loss experience and judgments about the expected levels of costs per claim are considered. These claims are accounted for based on actuarial estimates of the undiscounted claims, including those claims incurred but not reported. Planet Hollywood believes the use of actuarial methods to account for these liabilities provides a consistent and effective way to measure these highly judgmental accruals. Predecessor Growth Partners regularly monitored the potential for changes in estimates, evaluated its insurance accruals, and adjusted its recorded provisions. As of December 31, 2012 , \$3.0 million was accrued to cover insurance claims and is included in Accrued expenses in the accompanying Combined Balance Sheet. Starting in July 2013, third-party insurance coverage was obtained on a prospective basis.

Management Fees

PHW Manager, LLC ("PHW Manager"), a wholly-owned subsidiary of CEOC, manages the operations of the Planet Hollywood. Fees paid to PHW Manager for such services include a base management fee calculated at 3.0% of adjusted gross operating revenue plus net casino wins, and an incentive fee calculated at 4.5% of EBITDA less the base management fee. For the period from January 1 through October 21, 2013 , the fees were \$14.2 million and \$16.1 million for each of the years ended December 31, 2012 and 2011 , respectively. These fees are included in Property, general, administrative, and other expenses in

the Combined Statements of Operations. As of December 31, 2012, the payable balances related to these fees were recorded in Payables to related party in the Combined Balance Sheet and was \$1.3 million.

Long-term debt to related party

Caesars Interactive has entered into an unsecured credit facility with Caesars Entertainment (the "Credit Facility") whereby Caesars Entertainment provided to Caesars Interactive unsecured intercompany loans as approved by Caesars Entertainment on an individual transaction basis. In connection with the May 2011 purchase of 51% of Playtika, the December 2011 purchase of the remaining 49% interest in Playtika and the December 2012 Buffalo Studios acquisition, Caesars Interactive borrowed \$126.4 million for Playtika and \$42.0 million for Buffalo Studios under the Credit Facility. The outstanding CIE balance on the Credit Facility as December 31, 2012, was \$46.8 million. No principal payments are required under the Credit Facility until its maturity date of November 29, 2016. The unsecured intercompany loans bear interest on the unpaid principal amounts at a rate per annum equal to LIBOR plus 5%. For the period from January 1 through October 21, 2013 and for the years ended December 31, 2012 and 2011, CIE recorded \$1.8 million, \$4.1 million and \$2.1 million of interest expense associated with this debt, respectively. The Credit Facility does not have any restrictive or affirmative covenants.

During the first three months of 2013, CIE made principal payments on the Credit Facility aggregating \$7.0 million, which was paid from sources that existed as of December 31, 2012. As such, Predecessor Growth Partners classified the \$7.0 million as a current liability in its Combined Balance Sheet for December 31, 2012.

Payable to related party

In connection with the July 2013 execution of the Baltimore Credit Facility, Caesars Baltimore and the other joint venture partners each provide, on a several and not joint basis, a completion guarantee with respect to the Baltimore Development, which guarantees completion of the construction of the Baltimore Development, availability of contemplated working capital and the discharge, bonding or insuring over of certain liens in connection with the Baltimore Development. The maximum liability of Caesars Baltimore under its completion guarantee is approximately \$9.1 million, which Caesars Baltimore received from CEOC. The guarantee is recorded as Payables to related parties and Restricted cash on the Combined Balance Sheet of Predecessor Growth Partners (see Note 7 — Debt for additional information regarding the Baltimore Credit Facility).

Investments in notes and interest receivable from related party

Predecessor Growth Partners' investments in notes from related party consist solely of senior notes previously issued by CEOC which were acquired by Caesars Entertainment in transactions unrelated to the Transactions. All investments in notes from related party are classified as available for sale and are recorded as non-current assets.

The face value and fair value of the investment in related party notes are summarized below:

<u>(In millions)</u>	Stated Interest Rate	<u>As of December 31, 2012</u>	
Maturity		Face Value	Fair Value
June 1, 2015	5.625%	\$ 427.3	\$ 376.0
June 1, 2016	6.50%	324.5	210.0
October 1, 2017	5.75%	390.9	201.5
February 1, 2018	10.75%	3.7	3.1
Total		<u>\$ 1,146.4</u>	<u>\$ 790.6</u>

For additional discussion of fair value measurements, see Note 11 — Fair Value Measurements.

For the notes due February 1, 2018, CEOC has the option, and has elected to exercise such option, to pay interest on the notes with additional notes due February 1, 2018, rather than paying such interest in cash. To the extent CEOC elects to pay the interest "in-kind," the interest to be paid accrues at a premium of 75 basis points over the stated interest rate. For the period from January 1 through October 21, 2013 and for the years ended December 31, 2012 and 2011, Predecessor Growth Partners received interest in the form of additional notes due February 1, 2018 and recognized interest income of approximately \$0.3 million, \$0.4 million and \$0.3 million, respectively.

Investments included in the Combined Balance Sheet are summarized as follows:

<u>(In millions)</u>	<u>December 31, 2012</u>	
Investments in notes from related party		
Amortized cost	\$	612.2
Unrealized gains recorded in accumulated other comprehensive income		178.4
Fair value of investments in notes from related party	<u>\$</u>	<u>790.6</u>

Predecessor Growth Partners evaluates whether securities in an unrealized loss position could potentially be other-than-temporarily impaired. Predecessor Growth Partners has concluded that the fair values of the securities presented in the table above were not other-than-temporarily impaired as of December 31, 2012 . This conclusion is derived from CEOC's continued satisfaction of the securities' obligations in accordance with their contractual terms along with the expectation that CEOC will continue to do so. Also contributing to this conclusion are: the determination that it is more likely than not that Predecessor Growth Partners will not be required to sell these securities prior to recovery, an assessment of CEOC's financial condition, and other objective evidence.

For the period from January 1 through October 21, 2013 and for the years ended December 31, 2012 and 2011 , interest income from related parties includes \$54.6 million , \$67.5 million and \$67.2 million , respectively, of income based on the stated interest rate, \$83.6 million , \$77.2 million and \$56.2 million , respectively, of accretion of discount and the aforementioned \$0.3 million , \$0.4 million and \$0.3 million , respectively, of interest income related to the paid-in-kind notes, respectively.

Rock Gaming, LLC

Rock Gaming holds approximately 4.9% of Caesars Interactive's outstanding common stock at December 31, 2012 .

Predecessor Growth Partners entered into an agreement with Rock Gaming to develop an entertainment facility in the City of Baltimore (see Note 3 — Development and Acquisition Activity) and Predecessor Growth Partners issued convertible notes to Rock Gaming that are convertible into approximately 8,913 shares of Caesars Interactive common stock in June 2014 (see Note 9 — Equity and Non-Controlling Interests).

Note 19 — Subsequent Events

Potential Allegation

On March 21, 2014, CEC, CEOC, Caesars Entertainment Resort Properties, LLC (“CERP”), CAC and Caesars Growth Partners, LLC received a letter (the “Letter”) from a law firm acting on behalf of unnamed clients who claim to hold Second-Priority Secured Notes of CEOC, alleging, among other things, that CEOC is insolvent and that CEOC’s owners improperly transferred or seek to transfer valuable assets of CEOC to affiliated entities in connection with: (a) the transaction agreement dated October 21, 2013 by and among CEC, certain subsidiaries of CEC and CEOC, Caesars Acquisition Company and Caesars Growth Partners, LLC, which, among other things, provide for the asset transfers from subsidiaries of CEOC to Caesars Growth Partners, LLC of the Planet Hollywood casino and interests in Horseshoe Baltimore that was consummated in 2013; (b) the transfer by CEOC to CERP of Octavius Tower and Project Linq that was consummated in 2013 ((a) and (b) collectively, the “2013 Transactions”); and (c) the contemplated transfers by CEOC to Caesars Growth Partners of The Cromwell, The Quad, Bally’s Las Vegas and Harrah’s New Orleans (the “Contemplated Transaction”). The Letter does not identify the holders or specify the amount of Second-Priority Secured Notes or other securities that they may hold. The Letter includes allegations that these transactions constitute or will constitute voidable fraudulent transfers and represent breaches of alleged fiduciary duties owed to CEOC creditors and that certain disclosures concerning the transactions were inadequate. The Letter demands, among other things, that the transactions be rescinded or terminated, as would be applicable. CEC strongly believes there is no merit to the Letter’s allegations and will defend itself vigorously and seek appropriate relief should any action be brought.

Note 20 — Quarterly Results of Operations (Unaudited)

<u>(in millions)</u>	First Quarter	Second Quarter	Third Quarter	October 1 Through October 21, 2013
2013				
Net revenues	\$ 151.1	\$ 156.6	\$ 162.4	\$ 42.7
(Loss)/income from operations	(24.2)	26.6	33.5	7.9
Net income	4.5	41.3	42.7	3.4
Net income attributable to Predecessor Growth Partners	6.3	40.7	46.4	3.6
 2012				
Net revenues	\$ 119.8	\$ 129.3	\$ 130.7	\$ 131.6
Income from operations	24.4	19.0	19.8	25.3
Net income	31.7	28.3	30.2	37.2
Net income attributable to Predecessor Growth Partners	31.3	28.4	29.5	37.6

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Our principal executive officer and principal financial officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), as of December 31, 2013 , including controls and procedures to timely alert management to material information relating to the Company required to be included in our periodic SEC filings. Based on such evaluation, they have concluded that, as of such date, our disclosure controls and procedures were effective.

Internal Control over Financial Reporting

Management's Annual Report on Internal Control Over Financial Reporting

This annual report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the company's registered public accounting firm due to a transition period established by rules of the Securities and Exchange Commission for newly public companies.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Federal Investigation

In recent years, governmental authorities have been increasingly focused on anti-money laundering ("AML") policies and procedures, with a particular focus on the gaming industry. As an example, a major gaming company recently settled a U.S. Attorney investigation into its AML practices. On October 11, 2013, a subsidiary of Caesars Entertainment, Desert Palace, Inc. (the owner of Caesars Palace), received a letter from the FinCEN, stating that FinCEN is investigating Caesars Palace for alleged violations of the Bank Secrecy Act to determine whether it is appropriate to assess a civil penalty and/or take additional enforcement action against Caesars Palace. Additionally, Caesars Entertainment has been informed that a federal grand jury investigation related to the Company's anti-money laundering practices and procedures is ongoing. Caesars Entertainment is fully cooperating with both the FinCEN and grand jury investigations. Based on proceedings to date, Caesars Entertainment is currently unable to determine the probability of the outcome of these matters or the range of reasonably possible loss, if any.

Disclosure Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act

Apollo has provided notice to us that, as of October 24, 2013, certain investment funds managed by affiliates of Apollo beneficially owned approximately 22% of the limited liability company interests of CEVA Holdings, LLC ("CEVA"). Under the limited liability company agreement governing CEVA, certain investment funds managed by affiliates of Apollo hold a majority of the voting power of CEVA and have the right to elect a majority of the board of CEVA. CEVA may be deemed to be under common control with us, but this statement is not meant to be an admission that common control exists. As a result, it appears that we are required to provide disclosures as set forth below pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 ("ITRA") and Section 13(r) of the Securities Exchange Act of 1934, as amended.

Apollo has informed us that CEVA has provided it with the information below relevant to Section 13(r) of the Exchange Act. The disclosure below does not relate to any activities conducted by us and does not involve us or our management. The disclosure relates solely to activities conducted by CEVA and its consolidated subsidiaries. We have not independently verified or participated in the preparation of the disclosure below.

Through an internal review of its global operations, CEVA has identified the following transactions in an Initial Notice of Voluntary Self-Disclosure that CEVA filed with the U.S. Treasury Department Office of Foreign Assets Control ("OFAC") on October 28, 2013. CEVA's review is ongoing. CEVA will file a further report with OFAC after completing its review.

The internal review indicates that, in February 2013, CEVA Freight Holdings (Malaysia) SDN BHD ("CEVA Malaysia") provided customs brokerage for export and local haulage services for a shipment of polyethylene resin to Iran shipped on a vessel owned and/or operated by HDS Lines, also an SDN. The revenues and net profits for these services were approximately \$779.54 USD and \$311.13 USD, respectively. In September 2013, CEVA Malaysia provided customs brokerage

services for the import into Malaysia of fruit juice from Alifard Co. in Iran via HDS Lines. The revenues and net profits for these services were approximately \$227.41 USD and \$89.29 USD, respectively.

These transactions violate the terms of internal CEVA compliance policies, which prohibit transactions involving Iran. Upon discovering these transactions, CEVA promptly launched an internal investigation, and is taking action to block and prevent such transactions in the future. CEVA intends to cooperate with OFAC in its review of this matter.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance.

We incorporate by reference the information appearing under "Executive Officers" in Item 1. Business of this report and appearing under the captions "Executive Officers," "Corporate Governance - Section 16(a) Beneficial Ownership Reporting Compliance" and "Corporate Governance - Code of Ethics" in our definitive Proxy Statement for our 2014 Annual Meeting of Stockholders, which we expect to file with the Securities and Exchange Commission on or about April 4, 2014 (the "Proxy Statement").

Item 11. Executive Compensation.

We incorporate by reference the information appearing under the captions "Executive Compensation" in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

We incorporate by reference the information appearing under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement. The information under Part II, Item 5. Market for the Company's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities of this report is also incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence .

We incorporate by reference the information appearing under the captions "Certain Relationships and Related Party Transactions" and "Corporate Governance - Director Independence" in the Proxy Statement.

Item 14. Principal Accountant Fees and Services.

We incorporate by reference the information appearing under the caption "Proposal 2 - Ratification of Appointment of Independent Registered Public Accounting Firm" in the Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) Documents filed as part of this report

1. Financial statements of the Company (including related notes to financial statements) filed as part of this report are listed below:

- Report of Independent Registered Public Accounting Firm.
- Balance Sheet as of December 31, 2013.
- Statement of Operations for the period from February 25 through December 31, 2013.
- Statement of Comprehensive Income for the period from February 25 through December 31, 2013.
- Statement of Stockholders' Equity for the period from February 25 through December 31, 2013.
- Statement of Cash Flows for the period from February 25 through December 31, 2013.

Financial statements of the Predecessor Growth Partners (including related notes to financial statements) filed as part of this report are listed below:

- Report of Independent Registered Public Accounting Firm.
- Combined Balance Sheet as of December 31, 2012.
- Combined Statements of Operations for the period from January 1 through October 21, 2013 and for the Years ended December 31, 2012 and 2011.
- Combined Statements of Comprehensive Income/(Loss) for the period from January 1 through October 21, 2013 and for the Years ended December 31, 2012 and 2011.
- Combined Statements of Stockholders' Equity for the period from January 1 through October 21, 2013 and for the Years ended December 31, 2012 and 2011.
- Combined Statements of Cash Flows for the period from January 1 through October 21, 2013 and for the Years ended December 31, 2012 and 2011.

2. Financial statement schedules of the Company as follows:

- Schedules I through V are not applicable and have therefore been omitted.
- Since October 21, 2013, we have had an investment in Caesars Growth Partners, LLC that we account for using the equity method of accounting. The consolidated financial statements as of December 31, 2013 and for the period from October 22, 2013 through December 31, 2013 of Caesars Growth Partners, LLC are filed as Exhibit 99.1 hereto and incorporated herein by reference in this Form 10-K pursuant to Rule 3-09 of Regulation S-X.

3. Exhibits

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
2.1	Transaction Agreement, dated March 1, 2014, by and among the Caesars Entertainment Corporation, Caesars Entertainment Operating Company, Inc., Caesars License Company, LLC, Harrah's New Orleans Management Company, Corner Investment Company, LLC, 3535 LV Corp., Parball Corporation, JCC Holding Company II, LLC, Caesars Acquisition Company and Caesars Growth Partners, LLC.	—	8-K	—	2.1	3/3/2014

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
3.1	First Amended and Restated Certificate of Incorporation of Caesars Acquisition Company, dated October 21, 2013.	—	10-Q	9/30/13	3.1	11/20/2013
3.2	Amended and Restated Bylaws of Caesars Acquisition Company, adopted October 21, 2013.	—	10-Q	9/30/13	3.2	11/20/2013
4.1	Form of Subscription Rights Certificate	—	S-1/A	—	4.2	10/4/2013
10.1	Amended and Restated Limited Liability Company Agreement of Caesars Growth Partners, LLC, dated as of October 21, 2013.	—	8-K	—	10.2	10/24/2013
10.2	Amended and Restated Caesars Interactive Entertainment, Inc. Management Investor Rights Agreement, dated November 22, 2010.	—	S-1/A	—	10.5	8/12/2013
10.3	First Amendment to Amended and Restated Caesars Interactive Entertainment, Inc. Management Investor Rights Agreement, dated as of September 28, 2013.	—	S-1/A	—	10.24	10/4/2013
†10.4	Caesars Interactive Entertainment, Inc. Liquidity Plan	—	8-K	—	10.1	2/14/2014
10.5	Form of Indemnification Agreement between Caesars Acquisition Company and its directors and officers.	—	S-1/A	—	10.14	10/11/2013
†10.6	Employment Agreement, dated August 12, 2012, between Caesars Interactive Entertainment, Inc. and Mitch Garber.	X				
†10.7	Employment Agreement, dated as of June 15, 2012, between Caesars Interactive Entertainment, Inc. and Craig Abrahams.	—	S-1/A	—	10.2	08/12/2013
10.8	Shared Services Agreement, dated as of May 1, 2009, among Caesars Entertainment Corporation, Caesars Interactive Entertainment, Inc. and HIE Holdings, Inc.	—	S-1/A	—	10.6	8/12/2013
10.9	Cross Marketing and Trademark License Agreement, dated as of September 29, 2011, among Caesars Entertainment Corporation, Caesars Entertainment Operating Company, Inc., certain other licensors party thereto and Caesars Interactive Entertainment, Inc.	—	S-1/A	—	10.7	8/12/2013
10.10	Management Agreement, dated as of February 19, 2010, between PHW Las Vegas LLC and PHW Manager, LLC.	—	S-1/A	—	10.9	8/12/2013
10.11	Management Agreement, dated as of February 19, 2010, between PHW Las Vegas LLC and PHW Manager, LLC.	—	S-1/A	—	10.1	8/12/2013

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
10.12	Second Amended Credit Agreement, dated November 29, 2011, between Caesars Interactive Entertainment, Inc. and Caesars Entertainment Corporation.	—	S-1/A	—	10.12	8/12/2013
10.13	Amended and Restated Loan Agreement, dated as of February 19, 2010, between PHW Las Vegas, LLC and Wells Fargo Bank, N.A. as trustee for the Credit Suite First Boston Mortgage Securities Corp. Commercial Pass-Through Certificates, Series 2007-TFL2.	—	S-1/A	—	10.11	8/12/2013
10.14	Transaction Agreement, dated as of October 21, 2013, among Caesars Acquisition Company, Caesars Growth Partners, LLC, Caesars Entertainment Corporation, HIE Holdings, Inc., Harrah's BC, Inc., PHW Las Vegas, LLC, PHW Manager, LLC, Caesars Baltimore Acquisition Company, LLC and Caesars Baltimore Management Company, LLC.	—	8-K	—	10.1	10/24/2013
10.15	Credit Agreement, dated as of July 2, 2013, by and among CBAC Borrower, LLC, the lenders party thereto from time to time and Wells Fargo Gaming Capital, LLC, as administrative agent and collateral agent.	—	S-1/A	—	10.15	8/12/2013
10.16	Credit Agreement, dated as of July 2, 2013, by and among CBAC Borrower, LLC, the lenders party thereto from time to time, Deutsche Bank AG New York Branch, as administrative agent for the lenders, and Deutsche Bank Trust Company Americas, as collateral agent for the lenders, and other parties party thereto.	—	S-1/A	—	10.24	8/12/2013
10.17	Adoption Agreement, dated as of March 30, 2012, among Rock Gaming Interactive LLC, Caesars Interactive Entertainment, Inc., HIE Holdings, Inc. and Caesars Entertainment Corporation.	—	S-1/A	—	10.16	8/12/2013
10.18	Trademark License Agreement, dated as of September 1, 2011, by and between Caesars Interactive Entertainment, Inc. and Caesars Entertainment Corporation.	—	S-1/A	—	10.18	8/12/2013
10.19	Trademark Sublicense Agreement, dated as of September 1, 2011, by and between Caesars Tournament, LLC and Caesars Entertainment Corporation.	—	S-1/A	—	10.19	8/12/2013
†10.20	Caesars Interactive Entertainment, Inc. Amended and Restated Management Equity Incentive Plan, dated February 9, 2012.	—	S-1/A	—	10.20	8/12/2013
10.21	Management Services Agreement, dated as of October 21, 2013, among Caesars Acquisition Company, Caesars Growth Partners, LLC and Caesars Entertainment Operating Company, Inc.	—	8-K	—	10.3	10/24/2013

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
10.22	Registration Rights Agreement, dated as of October 21, 2013, among Caesars Acquisition Company, Caesars Growth Partners, LLC and certain subsidiaries of Caesars Entertainment Corporation.	—	8-K	—	10.4	10/24/2013
10.23	Registration Rights Agreement, dated as of October 21, 2013, between Caesars Entertainment Corporation and Caesars Acquisition Company.	—	8-K	—	10.5	10/24/2013
10.24	Irrevocable Proxy, dated October 21, 2013, among Apollo Hamlet Holdings, LLC, Apollo Hamlet Holdings B, LLC, TPG Hamlet Holdings, LLC, TPG Hamlet Holdings B, LLC, Co-Invest Hamlet Holdings, Series LLC and Co-Invest Hamlet Holdings B, LLC.	X				
10.25	Omnibus Voting Agreement, dated as of October 21, 2013, among Apollo Hamlet Holdings, LLC, Apollo Hamlet Holdings B, LLC, TPG Hamlet Holdings, LLC, TPG Hamlet Holdings B, LLC, Co-Invest Hamlet Holdings, Series LLC, Co-Invest Hamlet Holdings B, LLC, Hamlet Holdings LLC, Caesars Entertainment Corporation and Caesars Acquisition Company.	—	8-K	—	10.6	10/24/2013
10.26	Tax Matters Agreement, dated as of October 21, 2013, by and among Caesars Entertainment Corporation, a Delaware corporation, and Caesars Interactive Entertainment, Inc., a Delaware corporation, and all of its direct and indirect subsidiaries.	—	10-Q	9/30/13	10.9	11/20/2013
14	Code of Business Conduct and Ethics, adopted October 18, 2013.	X				
21	List of Subsidiaries.	X				
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated March 28, 2014.	X				
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated March 28, 2014	X				
32.1	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated March 28, 2014.	X				
32.2	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated March 28, 2014.	X				
99.1	Consolidated financial statements of Caesars Growth Partners, LLC as of December 31, 2013 and for the period from October 22, 2013 through December 31, 2013	X				

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
99.2	Gaming Regulation Overview	X				
*101	The following financial statements from the Company's Form 10-K for the year ended December 31, 2013, formatted in XBRL: (i) Consolidated Balance Sheet, (ii) Consolidated Statement of Operations, (iii) Consolidated Statement of Comprehensive Loss, (iv) Consolidated Statement of Stockholders' Equity, (v) Consolidated Statement of Cash Flows, (vi) Notes to Consolidated Financial Statements.	X				

* Furnished herewith.

† Denotes a management contract or compensatory plan or arrangement.

SIGNATURES

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

CAESARS ACQUISITION COMPANY

March 28, 2014

By: _____ / s / MITCH GARBER
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ MITCH GARBER Mitch Garber	President and Chief Executive Officer (<i>Principal Executive Officer</i>)	March 28, 2014
/s/ CRAIG ABRAHAMS Craig Abrahams	Chief Financial Officer and Secretary (<i>Principal Financial Officer</i>)	March 28, 2014
/s/ TROY J. VANKE Troy J. Vanke	Chief Accounting Officer (<i>Principal Accounting Officer</i>)	March 28, 2014
/s/ MARC BEILINSON Marc Beilinson	Director	March 28, 2014
/s/ PHILIP ERLANGER Philip Erlanger	Director	March 28, 2014
/s/ DHIREN FONSECA Dhiren Fonseca	Director	March 28, 2014
/s/ DON KORNSTEIN Don Kornstein	Director	March 28, 2014
/s/ KARL PETERSON Karl Peterson	Director	March 28, 2014
/s/ MARC ROWAN Marc Rowan	Director	March 28, 2014
/s/ DAVID SAMBUR David Sambur	Director	March 28, 2014

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made as of August 31, 2012, (the “Effective Date”) between Caesars Interactive Entertainment, Inc., with offices at One Caesars Palace Drive, Las Vegas, Nevada (the “Company”), and Mitch Garber (“Executive”).

The Company and Executive agree as follows:

1. Introductory Statement. The Company desires to secure the services of Executive effective on the Effective Date. This Agreement supersedes any and all previous employment agreement(s) (the “Prior Employment Agreement/s”).

The Company hereby agrees to employ Executive, and Executive hereby agrees to be employed by the Company, subject to the terms and conditions of this Agreement (the “Employment”), for a period beginning on the Effective Date and ending on the fourth anniversary thereof (the “Initial Term”); provided that, on the fourth anniversary of the Effective Date and each anniversary of the Effective Date thereafter, the Employment period shall be extended by one year unless, at least six (6) months prior to such anniversary, the Company or Executive delivers a written notice (a “Notice of Non-Renewal”) to the other party that the Employment period shall not be so extended (the Initial Term as from time to time extended or renewed being the “Employment Term”).

2. Agreement of Employment. Effective as of the Effective Date, the Company agrees to, and hereby does, employ Executive, and Executive agrees to, and hereby does, accept continued employment by the Company, in a full-time capacity as Chief Executive Officer of Caesars Interactive Entertainment, Inc. Executive shall report to the Company’s Board of Directors (the “Board”), and shall be subject to the control of the Board as well as any individual or individuals the Board determines Executive shall report to, at the Board’s sole discretion.

3. Executive’s Obligations. During the period of his or her service under this Agreement, Executive shall devote substantially all of his or her time and energy during business hours to the benefit of the Company’s business. Executive agrees to serve the Company diligently and to the best of his or her ability, and to follow the policies and directions of the Company.

Executive represents and warrants that he or she is not subject to any employment, severance, non-competition or other similar arrangement with any other employer or former employer, and Executive agrees and covenants that the execution of this Agreement by Executive does not violate, conflict with, result in a breach or require any consent, waiver or approval of any contract, arrangement or other agreement that Executive is a party to or by which Executive is bound.

4. Compensation.

4.1 Base Salary. As compensation for all services performed by Executive under and during the Employment Term, the Company shall pay to Executive a base salary at the rate of

CDN \$447,800.00 per year, in equal bi-weekly installments in accordance with its customary payroll practices. Such base salary, as may be increased from time to time at the Company's sole discretion, is hereafter referred to as the "Base Salary." All payments will be subject to Executive's chosen benefit deductions and the deductions of payroll taxes and similar assessments as required by law.

4.2 Bonus. Executive will participate in the Company's annual incentive bonus program(s) applicable to Executive's position, in accordance with the terms of such program(s), and shall have the opportunity to earn an annual bonus thereunder based on the achievement of performance objectives determined by the Board.

If Executive dies or resigns pursuant to this Agreement or pursuant to any other agreement between the Company and Executive providing for such resignation during the period of this Agreement, service for any part of the month in which any such event occurs shall be considered service for the entire month.

5. Equity Award. Executive is eligible for the grant of options or other equity awards pursuant to any Company plans in place. All grants of options or other equity awards, if any, are subject to the review and approval of the Board (the "Board") or the Human Resources Committee of the Board, and Executive acknowledges and agrees that Executive has no right to the grant of any options or other equity awards. This provision is not intended to affect or limit in any way any equity awards Executive has received prior to Executive's execution of this Agreement.

6. Benefits. During the Employment Term, except as otherwise provided herein, Executive shall be entitled to participate in any and all incentive compensation and bonus arrangements maintained by the Company for its similarly-situated employees and to receive benefits and perquisites at least as favorable to Executive as those presently provided to Executive by the Company.

6.1 Health Insurance. Executive will receive the regular group health plan coverage(s) provided to similarly situated employees, which coverage(s) may be subject to generally applicable changes during the Employment Term, provided that such changes are generally applicable to similarly situated employees. Executive will be required to contribute to the cost of the basic plan in the same manner as other similarly situated officers. Executive will receive coverage under no less favorable a health plan than other similarly situated employees.

6.2 Long Term Disability Benefits. Executive will be eligible to receive long term disability coverage paid by the Company in accordance with the terms of the Company's policies.

6.3 Life Insurance. Executive will receive life insurance paid by the Company in accordance with the terms of the Company's policies as in effect from time to time, which policies may be subject to changes during the Employment Term, provided that such changes are generally applicable to similarly situated employees.

6.4 Retirement Plan. Executive will also be eligible during the Employment Term to participate in any retirement plan maintained by the Company and generally applicable to

similarly situated employees. In addition, Executive will also be eligible during the Employment Term to participate in the Company's deferred compensation plan, as may be modified or changed from time to time, in the same manner as other similarly situated employees or officers of the Company.

6.5 Financial Counseling. During the Employment Term, Executive will also receive financial counseling in accordance with the terms of the Company's policies as in effect from time to time, which policies may be subject to changes during the Employment Term, provided that such changes are generally applicable to similarly situated employees.

6.6 Vacation. Executive will be entitled to paid vacation in accordance with the terms of the Company's policies.

6.7 Reimbursement of Expenses. The Company shall pay, or will reimburse Executive for, reasonable business expenses incurred in the performance of Executive's duties hereunder in accordance with Company policy.

6.8 D&O Insurance. The Company shall provide Executive with Director's and Officer's indemnification insurance coverage, in amount and scope that is customary for a company of the Company's size and nature, in accordance with the terms of the Company's policies as in effect from time to time, which policies may be subject to changes during the Employment Term, provided that such changes are generally applicable to similarly situated officers.

7. Termination of Employment. The following provisions shall govern Executive's rights to separation benefits (if any) upon a termination of the Employment.

7.1 Termination Without Cause; Resignation for Good Reason.

(a) The Company reserves the right to terminate the Executive's Employment without Cause at any time.

(b) Executive reserves the right to terminate his Employment for Good Reason (as defined in Section 9.2 herein) by giving the Company thirty (30) days written notice which states the basis for such Good Reason. As such, the Company, in its sole discretion, shall have the right to renounce and waive the benefit of part and or of the totality of any such notice and the Executive will not be entitled to any indemnity or damages of any nature whatsoever.

(c) Upon (i) the Company's termination of the Employment without Cause, or (ii) Executive's resignation from Employment for Good Reason as described in Section 7.1(b) above:

(i) The Company shall pay Executive, within 30 days following his termination of Employment, Executive's accrued but unused vacation, unreimbursed business expenses and Base Salary through the date of termination (to the extent not theretofore paid) (the "Payments Owed");

(ii) Subject to Executive executing and not revoking a release in the form provided by the Company, the Company will pay Executive: in approximately equal installments during the twelve (12) month period following the date of termination of Employment (the “Separation Period”), a cash separation payment in an amount equal to 1.0 multiplied by his or her monthly Base Salary as in effect on the date of termination (the “Separation Payment”). If applicable, Executive will be entitled to receive the benefits set forth on Exhibit A hereto during the Separation Period. The installments of the Separation Payment will be paid to Executive in accordance with the Company’s customary payroll practices, and will commence on the first payroll date following the termination of the Employment; and

(iii) Executive’s options or other equity awards will be treated in accordance with the terms of the applicable plans.

(d) If Executive violates any provision contained in Sections 10 or 11 of this Agreement, the Separation Payment shall cease, and all benefits will cease unless continuation of such benefit(s) is required by law.

(e) Except as otherwise provided in this Agreement, and except for any vested benefits under any tax qualified pension plans of the Company and vested deferred compensation under any applicable deferred compensation plans, and continuation of health insurance benefits on the terms and to the extent required by law, neither the Company nor Executive shall have any additional obligations under this Agreement.

7.2 Termination for Cause; Resignation Without Good Reason.

(a) The Company will have the right to terminate the Employment at any time for Cause (as defined in Section 9.1 herein). A resignation by Executive without Good Reason shall not be a breach of this Agreement.

(b) If Executive’s Employment is terminated for Cause, or if the Executive resigns from Employment without Good Reason, then: (i) Executive’s Employment shall be deemed terminated on the date of such termination or resignation; (ii) Executive shall be entitled to receive all Payments Owed from the Company within thirty (30) days following such termination; and (iii) the Executive’s rights with respect to his or her options and equity awards will be as set forth in the applicable plans.

(c) As further set forth in Section 10.1 below, in the event of Executive’s Employment being terminated for cause, or Executive’s resignation without good reason, Executive may not engage in competitive activity for a period of six (6) months after the date of Executive’s separation of Employment.

(d) Except as otherwise provided in this Agreement, and except for any vested benefits under any tax qualified pension plans of the Company and vested deferred compensation under any applicable deferred compensation plans, and continuation of other applicable benefits, if any, on the terms and to the extent required by law, neither the Company nor Executive shall have any additional obligations under this Agreement.

7.3 Notice of Non-Renewal.

(a) If Executive's Employment terminates as a result of the Company's delivery to Executive of a Notice of Non-Renewal, as set forth in Section 1 of this Agreement, then, commencing on the date Executive's employment terminates subsequent to the termination of the Initial Term or the Employment Term, Executive will be entitled to the Payments Owed and the Separation Payment set forth in Section 7.1 of this Agreement and, if applicable, Executive will be entitled to receive the benefits set forth on Exhibit A hereto during the Separation Period.

(b) Executive's options or other equity awards will be treated in accordance with the terms of the applicable plans.

(c) If Executive violates any provision contained in Sections 10 or 11 of this Agreement, the Separation Payment shall cease, and all benefits will cease unless continuation of such benefit(s) is required by law.

(d) Except as otherwise provided in this Agreement, and except for any vested benefits under any tax qualified pension plans of the Company and vested deferred compensation under any applicable deferred compensation plans, and continuation of other applicable benefits, if any, on the terms and to the extent required by law, neither the Company nor Executive shall have any additional obligations under this Agreement

7.4 Death.

(a) In the event that the Employment is terminated due to his or her death, (i) Executive's right to receive his or her Base Salary and benefits under this Agreement (other than the Payments Owed) will terminate, and his or her estate and beneficiary(ies) will receive the benefits they are entitled to receive under the terms of the Company's benefit plans and programs by reason of a participant's death during active Employment, (ii) Executive's estate shall be entitled to receive all Payments Owed from the Company within thirty (30) days following such termination and (iii) Executive's options and equity awards will be treated in accordance with the terms of the applicable plans. For the avoidance of doubt, Executive's estate shall be an express third party beneficiary of this provision, with the right to enforce the provision for and on behalf of Executive's beneficiary(ies).

(b) If Executive dies at a time when the Company owes Executive any Separation Payment(s) pursuant to Section 7.1(b), the Company shall pay such remaining Separation Payment(s) in a lump sum to Executive's estate.

(c) Except as otherwise provided in this Agreement, and except for any vested benefits under any tax qualified pension plans of the Company and vested deferred compensation under any applicable deferred compensation plans, and continuation of other applicable benefits, if any, on the terms and to the extent required by law, neither the Company nor Executive shall have any additional obligations under this Agreement.

8. Voluntary Termination Notice Period. The Executive may terminate his or her Employment at any time for any or no reason during the Initial Term or the Employment Term upon thirty (30) days' prior written notice to the Company.

9. Definitions of Cause and Good Reason .

9.1 (a) For purposes of this Agreement, “Cause” shall mean, without limitation:

(i) The failure of Executive to substantially perform Executive’s duties with the Company (as described in Section 2 and Section 3), or to comply with the policies and procedures of the Company (as determined in the sole discretion of the Company), or to follow a lawful, reasonable directive from Executive’s direct or indirect supervisors or such other executive officer to whom Executive reports;

(ii) Any willful act of fraud, embezzlement, theft, or dishonesty by Executive, in each case, in connection with Executive’s duties hereunder or in the course of the Employment hereunder, or any violation of any provision of Company’s Employee Handbook or other Company policies or procedures;

(iii) Executive being found unsuitable for or having a gaming license denied or revoked by the gaming regulatory authorities in any jurisdiction in which the Company or Caesars Entertainment Corporation, or any of their respective subsidiaries or affiliates conducts gaming operations;

(iv) (A) Executive’s willful and material violation of, or non-compliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes-Oxley Act of 2002, provided that such violation or noncompliance resulted in material economic harm to the Company, or (B) a final judicial order or determination prohibiting Executive from service as an officer pursuant to the Securities and Exchange Act of 1934 or the rules of the New York Stock Exchange or NASDAQ; or

(v) A breach by Executive of Section 10 or Section 11 of this Agreement.

9.2 For purposes of this Agreement, “Good Reason” shall mean, without Executive’s express written consent, the occurrence of any of the following circumstances, without limitation, unless such circumstances are fully corrected prior to the date of termination specified in the written notice given by Executive notifying the Company of his or her intention to terminate the Employment for Good Reason:

(d) A reduction by the Company in Executive’s annual Base Salary, as the same may be increased from time to time pursuant to Section 4.1 hereof, other than a reduction in base salary that applies to a similarly situated class of employees of the Company or its affiliates;

(e) (i) The failure by the Company to pay or provide to Executive any material portion of his then current Base Salary or then current benefits hereunder (except pursuant to a compensation deferral elected by Executive), other than any such failure that results from a

modification to any compensation arrangement or benefit plan that is generally applicable to similarly situated officers;

(f) The Company's failure to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 15 hereof; or

(g) If Executive is reassigned to a position in which he no longer reports directly to the Board.

10. Non-Competition.

10.1 During the Employment Term (so long as Executive remains employed by the Company or its affiliates) and for a period following the termination of the Employment equal to the Non-Compete Period (as defined below), he will not, directly or indirectly, engage in any activity, including development activity, whether as an employer, employee, consultant, director, investor, contractor, or otherwise, directly or indirectly, which is in competition with the online gaming, social/mobile casino style games; poker tournaments, or any other business activities in which Employee was engaged during the Employment Term and which are conducted by the Company or any of its parents, subsidiaries or affiliates in any location that the Company or an affiliate of the Company conducts significant business operations (the "Business") (a) with respect to periods prior to the termination of the Employment, at any time during the Employment Term and (b) with respect to periods following the termination of the Employment, as set forth below. Notwithstanding anything herein to the contrary, this Section 10.1 shall not prevent Executive from acquiring securities representing not more than 1% of the outstanding voting securities of any entity the securities of which are traded on a national securities exchange or in the over the counter market of a company operating in the Business. Executive acknowledges that the restrictions described above are reasonable as to both time and geographic scope, as the Company competes for customers with all gaming establishments in these areas. For purposes of this Agreement, "Non-Compete Period" shall mean the following: (w) if the Executive has voluntarily terminated the Employment without Good Reason, the twelve (12) month period immediately following the separation of Executive's employment; (x) if the Company delivers to Executive a Notice of Non-Renewal in accordance with Section 1, the twelve (12) month period immediately following the expiration of the Initial Term or the Employment Term, whichever may be applicable; (y) if the Company has terminated the Employment for Cause, six (6) months immediately following the separation of Executive's employment, or (z) if Executive's employment is terminated without Cause, or the Executive resigns with Good Reason, during the Separation Period set forth in Section 7.1(c)(ii).

10.2 If Executive breaches any of the covenants in Section 10.1, then the Company may terminate any of his or her rights under this Agreement, whereupon all of the Company's obligations under this Agreement shall terminate without further obligation to him or her except for obligations that have been paid (except as otherwise provided in Section 10.6), accrued or are vested as of or prior to such termination date. In addition, the Company shall be entitled to seek to enforce any such covenants, including obtaining monetary damages, specific performance and injunctive relief. Executive's options or equity awards will be treated in accordance with the terms of the applicable plans.

10.3 During the Employment Term (so long as Executive remains employed by the Company or its affiliates) and for a period of eighteen (18) months following the termination of the Employment, Executive will not, directly or indirectly hire, induce, persuade or attempt to induce or persuade, any Salary Grade 10 (or equivalent) or higher employee of the Company or its subsidiaries or affiliates, to leave or abandon employment with the Company, its subsidiaries or affiliates, for any reason whatsoever (other than Executive's personal secretary and/or assistants).

10.4 During the Employment Term (so long as Executive remains employed by the Company or its affiliates) and for a period of eighteen (18) months following the termination of the Employment, Executive will not communicate with employees, customers, or suppliers of the Company, or its subsidiaries or affiliates of the Company or any principals or employee thereof, or any person or organization in any manner whatsoever that is detrimental to the business interests of the Company, its subsidiaries or affiliates. Executive further agrees not to make statements to the press or general public with respect to the Company or its subsidiaries or affiliates that are detrimental to the Company, its subsidiaries, affiliates or employees without the express written prior authorization of the Company. Notwithstanding the foregoing, Executive shall not be prohibited at the expiration of the non-competition period from pursuing his or her own business interests that may conflict with the interests of the Company.

10.5 Each of Executive and the Company intends and agrees that if, in any action before any court, agency or arbitration tribunal legally empowered to enforce the covenants in this Section 10, any term, restriction, covenant or promise contained herein is found to be unreasonable and, accordingly, unenforceable, then such term, restriction, covenant or promise shall be deemed modified to the extent necessary to make it enforceable by such court, agency or arbitration tribunal.

10.6 Should any court, agency or arbitral tribunal legally empowered to enforce the covenants contained in this Section 10 find that Executive has breached the terms, restrictions, covenants or promises herein in any material respect (except to the extent it has been modified to make it enforceable): (a) the Company will not be obligated to continue to pay Executive the salary or benefits provided for under the separation provisions contained in the Agreement (including all required benefits under benefit plans), and (b) Executive will reimburse the Company any separation benefits received after the date of termination as well as any reasonable costs and attorney fees necessary to secure such repayments. For the avoidance of doubt, the Company shall be entitled to money damages and/or injunctive relief due to Executive's breach of the terms, restrictions, covenants or promises contained in this Section 10 without regard to whether or not such breach is material, it being understood that the limiting effect of the phrase "in any material respect" in the immediately preceding sentence shall operate solely with respect to the remedies available pursuant to this Section 10.6.

10.7 This Section and all of its provisions will survive the termination of the Employment for any reason.

11. Confidentiality.

11.1 Executive's position with the Company will or has resulted in his or her exposure and access to confidential and proprietary information which he or she did not have access

to prior to holding the position, which information is of great value to the Company and the disclosure of which by him or her, directly or indirectly, would be irreparably injurious and detrimental to the Company. During the Employment and without limitation thereafter, Executive agrees to use his or her best efforts and to observe the utmost diligence to guard and protect all confidential or proprietary information relating to the Company from disclosure to third parties. Executive shall not at any time during and after the termination of the Employment for any reason, make available, either directly or indirectly, to any competitor or potential competitor of the Company or any of its subsidiaries, or their affiliates, or divulge, disclose, communicate to any firm, corporation or other business entity in any manner whatsoever, any confidential or proprietary information covered or contemplated by this Agreement, unless expressly authorized to do so by the Company in writing. Notwithstanding the above, Executive may provide such Confidential Information if ordered by a federal or state court, arbitrator or any governmental authority, pursuant to subpoena, or as necessary to secure legal and financial counsel from third party professionals or to enforce his or her rights under this Agreement. In such cases, Executive will use his or her reasonable best efforts to notify the Company, at least five (5) business days prior to providing such information, including the nature of the information required to be provided.

11.2 For the purpose of this Agreement, “Confidential Information” shall mean all information of the Company, its subsidiaries and affiliates relating to, or useful in connection with, the business of the Company, its subsidiaries and affiliates, whether or not a “trade secret” within the meaning of applicable law, which is not generally known to the general public and which has been or is from time to time disclosed to, or developed by, Executive as a result of the Employment. Confidential Information includes, but is not limited to, the Company’s product development and marketing programs, data, future plans, formula, food and beverage procedures, recipes, finances, financial management systems, player identification systems (Total Rewards), pricing systems, client and customer lists, organizational charts, salary and benefit programs, training programs, computer software, business records, files, drawings, prints, prototyping models, letters, notes, notebooks, reports, and copies thereof, whether prepared by him, her or others, and any other information or documents which Executive is told or reasonably ought to know that the Company regards as confidential.

11.3 Executive agrees that upon termination of the Employment for any reason whatsoever, he or she shall promptly deliver to the Company all Confidential Information, including but not limited to documents, reports, correspondences, computer printouts, work papers, files, computer lists, telephone and address books, rolodex cards, computer tapes, disks, and any and all records in his or her possession (and all copies thereof) containing any such Confidential Information, and all items created in whole or in part by Executive within the scope of the Employment even if the items do not contain Confidential Information.

11.4 This Section and all of its provisions will survive termination of the Employment for any reason.

12. Injunctive Relief. Executive acknowledges and agrees that the terms provided in Sections 10 and 11 are the minimum necessary to protect the Company, its affiliates and subsidiaries, and their successors and assigns, in the use and enjoyment of the Confidential Information and the

good will of the business of the Company. Executive further agrees that damages cannot fully and adequately compensate the Company in the event of a breach or violation of the restrictive covenants set forth herein and that without limiting the right of the Company to pursue all other legal and equitable remedies available to it, the Company shall be entitled to seek injunctive relief, including but not limited to a temporary restraining order, preliminary injunction and permanent injunction, to prevent any such violations or any continuation of such violations for the protection of the Company. The granting of injunctive relief will not act as a waiver by the Company of its right to pursue any and all additional remedies.

13. Post-Employment Cooperation. Executive agrees that upon termination of the Employment for any reason, Executive will cooperate in assuring an orderly transition of all matters being handled by him or her. Upon the Company providing reasonable notice to him or her, he or she will also appear as a witness at the Company's request and/or assist the Company in any litigation, bankruptcy or similar matter in which the Company or any affiliate thereof is a party or otherwise involved. The Company will defray any reasonable out-of-pocket expenses incurred by Executive in connection with any such appearance.

14. Release. Upon the termination of the Employment by Company without cause or by Executive for good reason, as set forth in Section 7.1 of this Agreement, and in consideration of and as a condition to the actual receipt of all compensation and benefits described in this Agreement (including without limitation the Separation Payment pursuant to this Agreement), except for claims arising from the covenants, agreements, and undertakings of the Company as set forth herein and except as prohibited by statutory language, Executive and the Company will enter into an agreement which forever and unconditionally waives and releases Caesars Entertainment Corporation, the Company, their respective subsidiaries and affiliates, and their respective officers, directors, agents, benefit plan trustees, and employees from any and all claims, whether known or unknown, and regardless of type, cause or nature, including but not limited to claims arising under all salary, vacation, insurance, bonus, stock, and all other benefit plans, and all state and federal anti-discrimination, civil rights and human rights laws, ordinances and statutes, concerning Executive's employment with Caesars Entertainment Corporation, the Company, their respective subsidiaries and affiliates, the cessation of that employment and Executive's service as a shareholder, employee, officer and director of the Company and its subsidiaries.

15. Assumption of Agreement on Merger, Consolidation or Sale of Assets. In the event the Company agrees to (a) enter into any merger or consolidation with another company in which the Company is not the surviving company or (b) sell or dispose of all or substantially all of its assets, and the company which is to survive fails to make a written agreement with Executive to either: (1) assume the Company's financial obligations to Executive under this Agreement or (2) make such other provision for Executive as is reasonably satisfactory to Executive, then Executive shall have the right to resign for Good Reason as defined under this Agreement.

16. Assurances on Liquidation. The Company agrees that until the termination of the Employment as above provided, it will not voluntarily liquidate or dissolve without first making a full settlement or, at the discretion of Executive, a written agreement with Executive satisfactory

to and approved by him or her in writing, in fulfillment of or in lieu of its obligations to him or her under this Agreement.

17. Amendments; Entire Agreement. This Agreement may not be amended or modified orally, and no provision hereof may be waived, except in a writing signed by the parties hereto. This Agreement contains the entire agreement between the parties concerning the subject matter hereof and supersedes all prior agreements and understandings, written and oral, between the parties with respect to the subject matter of this Agreement, including without limitation any prior Employment Agreement.

18. Assignment.

18.1 Except as otherwise provided in Section 18.2, this Agreement cannot be assigned by either party hereto, except with the written consent of the other. Any assignment of this Agreement by either party shall not relieve such party of its or his or her obligations hereunder.

18.2 The Company may elect to perform any or all of its obligations under this Agreement through a subsidiary or affiliate, and if the Company so elects, Executive will be an employee of such subsidiary or affiliate. Notwithstanding any such election, the Company's obligations to Executive under this Agreement will continue in full force and effect as obligations of the Company, and the Company shall retain primary liability for their performance.

19. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the personal representatives and successors in interest of the Company.

20. Governing Law and Jurisdiction. This Agreement shall be governed and construed in accordance with the laws of the province of Quebec and the laws of Canada applicable therein. The parties agree that the Courts of the province of Quebec shall have exclusive jurisdiction with respect to all matters and disputes relating to the present Agreement, and the parties hereto irrevocably submit to such jurisdiction.

21. Notices. Any notice to be given hereunder by either party to the other may be effected by personal delivery, in writing, or by mail, registered or certified, postage prepaid with return receipt requested. Mailed notices shall be addressed to the parties at the addresses set forth in Section 22 below, but each party may change his, her or its address by written notice in accordance with this Section 21. Notices shall be deemed communicated as of the actual receipt or refusal of receipt.

22. Language. The parties hereto acknowledge that they have requested and are satisfied that this Agreement and all related documents be drawn up in the English language. *Les parties aux présentes reconnaissent avoir requis que la présente entente et les documents qui y sont relatifs soient rédigés en anglais.*

Executive: Mitch Garber
30 Sunnyside Westmount
Quebec H3Y1C2

Company: Caesars Interactive Entertainment, Inc.

One Caesars Palace Drive
Las Vegas, NV 89109
Attn: General Counsel

23. Legal Advice. The Executive hereby agrees and recognizes that he/she has had sufficient opportunity to seek independent legal counsel before having signed the present Agreement.

24. Construction. This Agreement is to be construed as a whole, according to its fair meaning, and not strictly for or against any of the parties.

25. Severability. If any provision of this Agreement shall be determined by a court to be invalid or unenforceable, the remaining provisions of this Agreement shall not be affected thereby, shall remain in full force and effect, and shall be enforceable to the fullest extent permitted by applicable law.

26. Withholding Taxes. Any payments or benefits to be made or provided to Executive pursuant to this Agreement shall be subject to any withholding tax (including social security contributions and federal income taxes) as shall be required by federal and provincial withholding tax laws.

27. Counterparts. This Agreement may be executed by the parties in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, Executive has hereunto set his or her hand and the Company has caused this Agreement to be executed in its name and on its behalf and its corporate seal to be hereunto affixed and attested by its corporate officers thereunto duly authorized.

/s/ Mitch Garber
Executive

Caesars Interactive Entertainment, Inc.

By: /s/Gary W. Loveman
Name: Gary W. Loveman
Its: Chairman of the Board

ACKNOWLEDGEMENT

The undersigned Executive hereby acknowledges that he/she understands and agrees to the terms set out in this Employment Agreement.

/s/ Mitch Garber

Signature

Mitch Garber

Printed Name

Date: October 18/12

Exhibit A

- Medical Insurance (including health, dental and vision)
- Life/Accident Insurance
- Accrued benefits under retirement plan
- D&O Insurance
- Financial Counseling (in accordance with Company policy, maximum benefit is funds allocated as of Separation Date – no new funds)

IRREVOCABLE PROXY

IRREVOCABLE PROXY (this “Proxy”), dated as of October 21, 2013, and made and granted by the parties listed on Schedule A-1 hereto (each a “Sponsor”, and collectively, the “Sponsors”) and by the parties listed on Schedule A-2 hereto (each a “Co-Investor”, and collectively, the “Co-Investors”, and together with the Sponsors, each, a “Stockholder” and, collectively, the “Stockholders”).

WHEREAS, on the date hereof, Caesars Acquisition Company, a Delaware corporation (the “Company”), has issued shares of voting common stock, par value \$0.001 per share of the Company (the “Class A CAC Stock”), to the Sponsors in connection with their participation (the “Investment”) in the Company’s offering of subscription rights for Class A CAC Stock (the “Rights Offering”) and intends to issue Class A CAC Stock to the Co-Investors in connection with their participation in the Rights Offering, made by the Company to all stockholders of Caesars Entertainment Corporation, a Delaware corporation (“CEC”);

WHEREAS, the Class A CAC Stock represents an indirect economic interest, and the sole voting interest, in Caesars Growth Partners, LLC, a Delaware limited liability company (“CGP”), which is a joint venture between CAC and certain subsidiaries of CEC;

WHEREAS, in connection with the Investment and/or the Rights Offering, each Stockholder owns or will own the number of shares of Class A CAC Stock set forth opposite its name on Schedule A-1 and on Schedule A-2 hereto (the “Subject Shares”);

WHEREAS, as of the date hereof, the Subject Shares constitute and, as of the date of the closing of the Rights Offering, will constitute, the majority of the issued and outstanding Class A CAC Stock and therefore, the Stockholders hold as of the date hereof, and will hold as of the date of the closing of the Rights Offering, majority voting control of the Company;

WHEREAS, in connection with the Investment and/or the Rights Offering, and in compliance with gaming regulatory requirements, each Stockholder desires to vest voting and dispositive control in Hamlet Holdings LLC, a Delaware limited liability company (“VoteCo”), with respect to matters relating to the Company and the Subject Shares by granting this Proxy as set forth below; and

WHEREAS, for the avoidance of doubt, VoteCo is the current holder, by irrevocable proxy, of the majority voting control in CEC.

NOW THEREFORE, in consideration of the foregoing and of the mutual promises of the parties hereto, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

Section 1. Representations and Warranties of Each Stockholder. Each Stockholder represents and warrants to VoteCo with respect to itself as follows:

(a) Authority; Execution and Delivery; Enforceability. The Stockholder has requisite limited liability company power and authority to execute and deliver this Proxy. The execution and delivery of this Proxy and the grant hereunder have been duly and validly authorized by the Stockholder, and no other limited liability company proceedings on the part of the Stockholder are necessary to authorize the grant contemplated by this Proxy. This Proxy has been duly and validly executed and delivered by the Stockholder and constitutes the valid and binding proxy of the Stockholder, enforceable against the Stockholder in accordance with its terms, except as enforceability may be limited by bankruptcy laws, other similar laws affecting creditors' rights and general principles of equity.

(b) No Conflicts. Neither the execution and delivery by the Stockholder of this Proxy nor the compliance by the Stockholder with the terms and conditions hereof will violate, result in a breach of, or constitute a default under its organizational documents, or violate, result in a breach of, or constitute a default under, in each case in any material respect, any agreement, instrument, judgment, order or decree to which the Stockholder is a party or is otherwise bound or give to others any material rights or interests (including rights of purchase, termination, cancellation or acceleration) under any such agreement or instrument.

(c) The Subject Shares. Upon the issuance thereof, (i) the Stockholder will be the record and beneficial owner of the Subject Shares set forth opposite its name on Schedule A; (ii) the Stockholder will have the sole right to vote and dispose such Stockholder's Subject Shares, except as contemplated by this Proxy, and (iii) none of such Stockholder's Subject Shares will be subject to any voting trust or other agreement, arrangement or restriction with respect to the voting of such Subject Shares, except as contemplated by this Proxy, that certain Harrah's Entertainment, Inc. Stockholders Agreement, dated as of January 28, 2008, as it may be amended from time to time in accordance with its terms (the " CEC Stockholders Agreement") and that certain Omnibus Voting Agreement, dated as of the date hereof and as it may be amended from time to time in accordance with its terms (the " Omnibus Voting Agreement").

Section 2. Irrevocable Proxy.

(a) Each Stockholder hereby irrevocably constitutes and appoints VoteCo, with full power of substitution, its true and lawful proxy and attorney-in-fact to (i) vote all of the Subject Shares at any meeting (and any adjournment or postponement thereof) of the Company's stockholders, and in connection with any written consent of the Company's stockholders and (ii) direct and effect the sale, transfer or other disposition of all or any part of the Subject Shares, if, as and when so determined in the sole discretion of VoteCo. For the avoidance of doubt, this Proxy shall be effective with respect to the portion of the Subject Shares acquired by the Co-Investors pursuant to the Rights Offering immediately upon the closing of such Rights Offering.

(b) The proxy and power of attorney granted herein shall be irrevocable during the Term (as defined below), shall be deemed to be coupled with an interest sufficient in law to support an irrevocable proxy, and shall revoke all prior proxies granted by each Stockholder (if any) with respect to the Subject Shares. Each Stockholder shall not grant to any person any proxy which conflicts with the proxy granted herein, and any attempt to do so shall be void.

(c) VoteCo may exercise the proxy granted herein with respect to Subject Shares, only during the Term, and shall have the right to vote the Subject Shares at any meeting of the Company's stockholders and in any action by written consent of the Company's stockholders in accordance with the provisions of Section 2(a) above. Unless expressly requested by VoteCo in writing, each Stockholder shall not vote any or all of the Subject Shares at any such meeting or in connection with any such written consent of stockholders. The vote of VoteCo shall control in any conflict between a vote of, or written consent with respect to, the Subject Shares by VoteCo and a vote or action by Stockholder with respect to the Subject Shares.

(d) All or a portion of the Subject Shares, as the case may be, shall be released from the proxy and voting arrangement created in this Section 2 and in Section 3 below, upon the sale, transfer or other disposition by VoteCo (including pursuant to the consummation of a registered offering) of the Subject Shares (a " Release Event "). Such release of Subject Shares hereunder shall occur automatically, without any requirement for any further act by such Stockholder or the delivery of any certificate to memorialize the same.

Section 3. Covenants of Each Stockholder. Each Stockholder covenants and agrees during the Term as follows:

(a) The Stockholder hereby agrees, while this Proxy is in effect with respect to any Subject Shares, and except as contemplated hereby or with respect to the CEC Stockholders Agreement or Omnibus Voting Agreement, (i) not to enter into any voting agreements, whether by proxy, voting agreement or other voting arrangement with respect to such Subject Shares, and (ii) not to take any action that would make any representation or warranty of such Stockholder contained herein untrue or incorrect, in each case, that would have the effect of preventing the Stockholder from performing its obligations under this Proxy.

(b) The Stockholder shall not (i) sell, transfer, pledge or otherwise dispose or encumber of any of its Subject Shares, any beneficial ownership thereof or any other interest therein, and (ii) enter into any contract, arrangement or understanding with any person that violates or conflicts with or would reasonably be expected to violate or conflict with, such Stockholder's obligations under this Section 3(b).

Section 4. Term and Termination. The term of this Proxy, including the proxy granted pursuant to Section 2 hereof and each Stockholder's covenants and agreements contained herein with respect to the Subject Shares held by such Stockholder, shall commence as of the date hereof and shall terminate automatically with respect to any and all Subject Shares as and when, and to the extent, that such Subject Shares are subject to a Release Event as set forth above (the " Term ").

Section 5. No Liability. Neither VoteCo (or any of its affiliates), nor any direct or indirect former, current or future partner, member, stockholder, director, manager, officer or agent of VoteCo or any of its affiliates, or any direct or indirect former, current or future partner, member, stockholder, employee, director, manager, officer or agent of any of the foregoing (each, an " Indemnified Person ") shall be liable, responsible or accountable in damages or otherwise to any or all of the Stockholders or to any or all of the members thereof, their respective successors

or assigns by reason of any act or omission related to the possession or exercise of this Proxy, and each Stockholder shall indemnify, defend and hold harmless each Indemnified Person in respect of the same. Each Stockholder acknowledges and agrees that no duty is owed to such Stockholder by VoteCo (or any or all of the other Indemnified Persons) in connection with or as a result of the granting of this Proxy or by reason of any act or omission related to the possession or the exercise thereof, and, to the extent any duty shall nonetheless be deemed or found to exist, each Stockholder hereby expressly and knowingly irrevocably waives, to the fullest extent permitted by applicable law, any and all such duty or duties, regardless of type or source.

Section 6. General Provisions.

- (a) Assignment. This Proxy shall not be assignable by any or all of the Stockholders.
- (b) No Ownership Interest. Except as expressly set forth in this Proxy, nothing contained in this Proxy shall be deemed to vest in VoteCo any direct or indirect ownership or incidence of ownership of or with respect to the Subject Shares.
- (c) Severability. If any provision of this Proxy would be held in any jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Proxy or affecting the validity or enforceability of such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn; without invalidating the remaining provisions of this Proxy or affecting the validity or enforceability of such provision in any other jurisdiction.
- (d) Governing Law. This Proxy shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of laws.

* * * * *

IN WITNESS WHEREOF, each Stockholder has duly executed this Proxy as of the date first written above.

APOLLO HAMLET HOLDINGS, LLC

By: /s/Marc Rowan
Name: Marc Rowan

Title:

APOLLO HAMLET HOLDINGS B, LLC

By: /s/ Marc Rowan
Name: Marc Rowan

Title:

[Signature Page to Irrevocable Proxy]

TPG HAMLET HOLDINGS, LLC

By: /s/ David Bonderman
Name: David Bonderman

Title:

TPG HAMLET HOLDINGS B, LLC

By: /s/ David Bonderman
Name: David Bonderman

Title:

[Signature Page to Irrevocable Proxy]

CO-INVEST HAMLET HOLDINGS, SERIES LLC

By Its Managing Members

Apollo Management VI, L.P.
on behalf of affiliated investment funds

By: AIF VI Management, LLC,
its general partner

By: /s/ Marc Rowan
Name: Marc Rowan

Title:

TPG GenPar V, L.P.

By: TPG GenPar V Advisors, LLC
its general partner

By: /s/ David Bonderman
Name: David Bonderman

Title:

CO-INVEST HAMLET HOLDINGS B, LLC

By Its Managing Members

Apollo Management VI, L.P.
on behalf of affiliated investment funds

By: AIF VI Management, LLC,
its general partner

By: /s/ Marc Rowan
Name: Marc Rowan

Title:

TPG GenPar V, L.P.

By: TPG GenPar V Advisors, LLC
its general partner

By: /s/ David Bonderman
Name: David Bonderman

Title:

[Signature Page to Irrevocable Proxy]

[Signature Page to Irrevocable Proxy]

Schedule A-1

Sponsors

<u>Stockholder</u>	<u>Shares of CAC Stock</u>	<u>Address</u>
Apollo Hamlet Holdings, LLC	12,406,404	Apollo Management VI, L.P. 9 West 57 th St., 43 rd Flr. New York, NY 10019
Apollo Hamlet Holdings B, LLC	14,088,900	Apollo Management VI, L.P. 9 West 57 th St., 43 rd Flr. New York, NY 10019
TPG Hamlet Holdings, LLC	23,299,360	TPG Capital, L.P. 301 Commerce Street, Suite 3300 Fort Worth, TX 76102
TPG Hamlet Holdings B, LLC	3,195,944	TPG Capital, L.P. 301 Commerce Street, Suite 3300 Fort Worth, TX 76102

Schedule A-2

Co-Investors

<u>Stockholder</u>	<u>Shares of CAC Stock</u>	<u>Address</u>
Co-Invest Hamlet Holdings, Series LLC		Apollo Management VI, L.P. 9 West 57 th St., 43 rd Flr. New York, NY 10019 and TPG Capital, L.P. 301 Commerce Street, Suite 3300 Fort Worth, TX 76102
Co-Invest Hamlet Holdings B, LLC		Apollo Management VI, L.P. 9 West 57 th St., 43 rd Flr. New York, NY 10019 and TPG Capital, L.P. 301 Commerce Street, Suite 3300 Fort Worth, TX 76102

CAESARS ACQUISITION COMPANY

CODE OF BUSINESS CONDUCT AND ETHICS (adopted as of October 18, 2013)

This Code of Business Conduct and Ethics (this “Code”) contains general guidelines for conducting the business of Caesars Acquisition Company (with its affiliates and subsidiaries, the “Company”) consistent with the highest standards of business ethics, and is intended to qualify as a “code of ethics” within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder and under the rules of the Nasdaq Stock Market.

This Code applies to all of the Company’s directors, officers and employees. The Company’s Chief Executive Officer and President, and Chief Financial Officer and Secretary are referred to as “Principal Officers.”

This Code is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely, and understandable disclosure in reports and documents that the Company files with, or submits to, the United States Securities and Exchange Commission (the “SEC”), and in other public communications made by the Company;
- compliance with applicable governmental laws, rules and regulations;
- prompt internal reporting to an appropriate person or persons identified in the Code of violations of the Code; and
- accountability for adherence to the Code.

The Code

In order to achieve the purposes set forth above, the Company has adopted the following principles and policies:

Conflicts of Interest. You must fully disclose to your Policy Contact (as defined below), or do not get a satisfactory response, to the Board of Directors, any situations, including situations involving immediate family members, that reasonably could be expected to give rise to a conflict of interest. A conflict of interest exists when your private interest, or the private interest of one of your family members, interferes, or appears to interfere, in any way with the interests of the Company as a whole. The following are examples of situations (applicable to both you and your family member) that may present a conflict of interest:

- employment by, service as a director of, or the provision of any services to, a company that is one of the Company’s material customers, suppliers or competitors, or a company whose interests could reasonably be expected to conflict with the Company’s interests;
- receipt of personal benefits or favors (other than nominal benefits or favors) as a result of your position with the Company;

- a significant financial interest (ownership or otherwise)¹ in any company that is one of the Company's material customers, suppliers or competitors; and
- any loan or guarantee of personal obligations from, or any other financial transaction with, any company that is one of the Company's material customers, suppliers or competitors (other than loans from commercial lending institutions in the ordinary course of business).

Corporate Opportunities. Employees of the Company owe a duty to the Company to advance its legitimate interests when the opportunity so arises. Employees are prohibited from taking (or directing to a third party) a business opportunity discovered through the use of the Company's property, information or position. In general, employees may not use corporate property, information or position for personal gain or compete with the Company (it being understood that ownership of a financial interest in a competitor that is not a significant financial interest, as defined above, does not constitute competing with the Company). Any employee that discovers a business opportunity that is in one of the Company's lines of business must first present the business opportunity to the Secretary, or his or her designee (in the case of any other person), before pursuing the activity in his or her individual capacity. If the Secretary, or his or her designee, as the case may be, waives our right to pursue the opportunity, then you may do so in your individual capacity.

Confidentiality. In the course of the Company's business, directors, officers and employees of the Company may gain confidential information, including non-public information that might be of use to competitors or harmful to the Company or its customers, if disclosed. Directors, officers and employees should maintain the confidentiality of information entrusted to them by the Company or its customers, except when disclosure is authorized or legally mandated.

Competition and Fair Dealing. All directors, officers and employees are obligated to deal fairly with the Company's customers, suppliers and competitors. The Company's directors, officers, and employees will not take unfair advantage of any person or entity through manipulation, concealment, abuse of privileged information, misrepresentation or any other unfair dealing or practice.

Company Records. Principal Officers should implement policies that will ensure that all Company records are complete, accurate and reliable in all material respects. Company records include, but are not limited to, bookkeeping information, payroll, e-mails, accounting and financial data, measurement and performance records, electronic data files and all other records maintained in the ordinary course of our business. Directors, officers and employees are

¹ Examples of a significant financial interest include (i) ownership of greater than 1% of the equity of a material customer, supplier or competitor or (ii) an investment in a material customer, supplier or competitor that represents more than 5% of the total assets of the director, officer and employee.

responsible for understanding and complying with the Company's document retention policy. Please refer to the Company's document retention policy for more information about Company records.

Accuracy of Financial Reports and other Public Communications. Our policy is, when required by rules of the SEC and Nasdaq and federal securities laws, to promptly disclose information that is accurate and complete in all material respects regarding our business, financial condition and results of operations. Materially inaccurate, incomplete or untimely reporting will not be tolerated and can severely damage the Company and cause legal liability. Directors, officers and employees should be on guard for, and promptly report, evidence of improper financial reporting.

Each director, officer or employee of the Company, to the extent involved in the Company's disclosure process, including the Principal Officers, is required to be familiar with the Company's disclosure controls and procedures applicable to him or her so that the Company's public reports and documents filed with the SEC comply in all material respects with the applicable federal securities laws and SEC rules. In addition, each such person having direct or supervisory authority regarding these SEC filings or the Company's other public communications concerning its

general business, results, financial condition and prospects should, to the extent appropriate within his or her area of responsibility, consult with other Company officers and employees and take other appropriate steps regarding these disclosures with the goal of making full, fair, accurate, timely and understandable disclosure.

Each director, officer or employee of the Company, to the extent involved in the Company's disclosure process, including without limitation, the Principal Officers, must:

- familiarize himself or herself with the disclosure requirements applicable to the Company as well as the business and financial operations of the Company; and
- not knowingly misrepresent, or cause others to misrepresent, facts about the Company to others, whether within or outside the Company, including to the Company's independent auditors, governmental regulators and self-regulatory organizations.

The Principal Officers are responsible for implementing and maintaining an adequate internal control structure and procedures for financial reporting, including without limitation disclosure controls and procedures. All directors, officers and employees of the Company should be on guard for, and promptly report, evidence of improper public reporting.

Company Assets . All directors, officers and employees of the Company should protect the

Company's assets employed by or entrusted to them, and ensure their efficient and responsible use. Theft, carelessness and waste have a direct impact on the Company's profitability. All Company assets should be used for legitimate business purposes.

Compliance with Laws and Regulations . Each director, officer, and employee has an obligation to comply with the laws of the cities, states and countries in which the Company operates. The Company will not tolerate any activity that violates any laws, rules or regulations applicable to it.

This includes, without limitation, laws covering the gaming industry, commercial bribery and kickbacks, copyrights, trademarks and trade secrets, information privacy, insider trading, illegal political contributions, antitrust prohibitions, foreign corrupt practices, offering or receiving gratuities, environmental hazards, employment discrimination or harassment, occupational health and safety, false or misleading financial information or misuse of corporate assets.

Compliance with Insider Trading Laws . Directors, officers and employees are strictly prohibited from trading in the Company's stock or other securities, or the stock or other securities of any other company, while in possession of material, nonpublic information about the Company or the other company. In addition, directors, officers and employees are strictly prohibited from recommending, "tipping" or suggesting that anyone else buy or sell our stock or other securities, or the stock or securities of any other company, on the basis of material, nonpublic information. For more information, please refer to the Company's securities trading policy and procedures.

Public Communications . The Company's policy is to provide timely, materially accurate and complete information in response to public requests (media, analysts, etc.), consistent with the Company's obligations to maintain the confidentiality of competitive and proprietary information and to prevent selective disclosure of market-sensitive financial data. In connection with our public communications, the Company is required, and its policy is, to comply with Regulation FD (which stands for "fair disclosure") under the federal securities laws. For more information, please contact the

Law Department . Directors, officers and employees who are authorized to speak to the media must be aware of the requirements of Regulation FD and must make every effort to ensure that the Company's public disclosures comply with those requirements.

Reporting Violations of the Code and Accountability

The Board of Directors has the authority to interpret this Policy in any particular situation. Any director, officer or employee of the Company who becomes aware of any violation of this Policy is required to notify his or her “ Policy Contact ” promptly. “ Policy Contact ” means (a) for directors and executive officers of the Company, the Secretary (unless the Secretary is the subject of the potential violation, in which case the Policy Contact shall be the Chief Financial Officer), and (b) for other employees of the Company, his or her immediate supervisor or the Secretary. If any director, officer or employee does not feel comfortable reporting the conduct in question to his or her Policy Contact, or does not get a satisfactory response, he or she may contact any member of the Board of Directors.

Any questions relating to how these policies should be interpreted or applied should be addressed to the Secretary or the Policy Contact. A director, officer or employee who is unsure of whether a situation violates this Policy should discuss the situation with the General Counsel or the Policy Contact.

Each director, officer or employee of the Company must:

- notify the appropriate Policy Contact promptly of any existing or potential violation of this Policy; and
- not retaliate against any other director, officer or employee of the Company for reports of potential violations that are made in good faith.

The Company will follow the following procedures in investigating and enforcing this Policy and in reporting on the Policy:

- the Secretary will take all appropriate action to investigate any violations reported and all Policy Contacts will ensure that the Secretary is notified promptly of any reports not made to them directly. In the case of violations or alleged violations involving the Secretary, the Chief Financial Officer will take on this role.
- the Secretary shall report each violation and alleged violation involving a director or an executive officer to the Chair of the Audit Committee. In the case of violations or alleged violations involving the Secretary, the Chief Financial Officer will take on this role. To the extent he or she deems appropriate, the Chair of the Audit Committee shall participate in any investigation of a director or executive officer. After the conclusion of an investigation of a director or executive officer, the conclusions shall be reported to the Audit Committee.
- the Audit Committee will conduct such additional investigation as it deems necessary. If the Audit Committee determines that a director or executive officer has violated this Policy, it will report its determination to the Board of Directors. Upon being notified that a violation has occurred, the Board of Directors and the Secretary will take such disciplinary or preventive action as deemed appropriate, up to and including dismissal or, in the event of criminal or other serious violations of law, notification of the SEC or other appropriate law enforcement authorities. In the case of violations or alleged violations involving the Secretary, the Chief Financial Officer will act in the Secretary’s place in this process.

All questions and reports of known or suspected violations of the law or this Policy will be treated with sensitivity and discretion. The Company will protect each director’s, officer’s and employee’s confidentiality to the extent possible consistent with the law and our need to investigate each report. The Company strictly prohibits retaliation against a director, officer or employee who, in good faith, seeks help or reports known or suspected violations.

Waivers of the Code

Each of the Board of Directors (in the case of a violation by a director or executive officer) and the Secretary, or his or her designee (in the case of a violation by any other person) may, in its discretion, waive any violation of this Code. Any waiver for a director or an executive officer shall be disclosed as required by SEC and Nasdaq rules.

Compliance Policy

This Code is not intended to amend or replace the Company's Compliance Policy or any other company codes of conduct and the directors, officers and employees will be required to comply with the terms of this Code, the Compliance Policy and any other Company codes of conduct.

Conclusion

This Code contains general guidelines for conducting the business of the Company consistent with the highest standards of business ethics. Please contact the Law Department with any questions about these guidelines. Each director, officer and employee is separately responsible for his or her actions. If a director, officer or employee engages in conduct prohibited by the law

or this Code, he or she will be deemed to have acted outside the scope of their employment. Such conduct will subject the director, officer or employee to disciplinary action, including possibly termination of employment.

THIS CODE AND THE MATTERS ADDRESSED HEREIN ARE NEITHER A CONTRACT OF EMPLOYMENT NOR A GUARANTEE OF CONTINUING COMPANY POLICY. WE RESERVE THE RIGHT TO AMEND, SUPPLEMENT OR DISCONTINUE THIS CODE AND THE MATTERS ADDRESSED HEREIN, WITHOUT PRIOR NOTICE, AT ANY TIME.

CAESARS ACQUISITION COMPANY
LIST OF SUBSIDIARIES
As of February 21, 2014

Name	Jurisdiction of Incorporation
Boardwalk Ltd.	Israel
Caesars Baltimore Acquisition Company, LLC	Delaware
Caesars Baltimore Development Company, LLC	Delaware
Caesars Baltimore Investment Company, LLC	Delaware
Caesars Baltimore Management Company, LLC	Delaware
Caesars Growth Baltimore Fee, LLC	Delaware
Caesars Growth Bonds, LLC	Delaware
Caesars Growth Partners, LLC	Delaware
Caesars Growth Properties Holdings, LLC	Delaware
Caesars Growth Properties Parent, LLC	Delaware
Caesars Growth PH, LLC	Delaware
Caesars Interactive Entertainment (Canada), Inc.	Canada
Caesars Interactive Entertainment (Hong Kong) Limited	Hong Kong
Caesars Interactive Entertainment New Jersey, LLC	New Jersey
Caesars Interactive Entertainment (UK), Ltd.	England/Wales
Caesars Interactive Entertainment Israel Ltd.	Israel
Caesars Interactive Entertainment, Inc. ¹	Delaware
CBAC Gaming, LLC ²	Delaware
CBAC Borrower, LLC	Delaware
CBAC Holding Company, LLC	Delaware
CIE Growth, LLC	Delaware
CIE RMG BEL	Belarus
CIE RMG (UK) Ltd.	England/Wales
CIE SMG UK Ltd.	England/Wales
Click Wall, Ltd. ³	Israel
CR Baltimore Holdings, LLC ⁴	Delaware
Delta One Holdings, LLC	Nevada
Delta Two Holdings, LLC	Nevada
Double Deuce Studios, LLC	Delaware
Homerun, Ltd.	Israel
Homerun Argentina SRL	Argentina
Homerun Ciero SRL	Romania
Home Run Ukraine, LLC	Ukraine
Pacific Interactive UK, Ltd.	England/Wales
PHWLV, LLC	Nevada
Playtika Bel, LLC	Belarus
Playtika Ukraine, LLC	Ukraine
Playtika, Ltd.	Israel
Project Wild Ltd.	Israel
SMG Homerun UK Ltd.	England/Wales
SMG Viking UK Ltd.	England/Wales
TSP Owner, LLC	Delaware

1		90.24 % CIE Growth, LLC.; 9.76 % third party shareholders
2		88.6 % CR Baltimore Holdings, LLC ; 11.4% non-affiliates
3		75% Playtika Ltd; 25% third party shareholders
4		58.51% Caesars Baltimore Investment Company, LLC; 41.49% non-affiliate

I, Mitch Garber, certify that:

1. I have reviewed this annual report on Form 10-K of Caesars Acquisition Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 28, 2014

By: _____ / S / MITCH GARBER
Mitch Garber
President and Chief Executive Officer

I, Craig Abrahams, certify that:

1. I have reviewed this annual report on Form 10-K of Caesars Acquisition Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 28, 2014

By: _____ / s / Craig Abrahams
Craig Abrahams
Chief Financial Officer and Secretary

Certification of Principal Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Caesars Acquisition Company (the “Company”), hereby certifies, to such officer's knowledge, that:

(i) the accompanying Annual Report on Form 10-K of the Company for the annual period ended December 31, 2013 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 28, 2014

/ S / Mitch Garber

Mitch Garber

President and Chief Executive Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Certification of Principal Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Caesars Acquisition Company (the “Company”), hereby certifies, to such officer's knowledge, that:

(i) the accompanying Annual Report on Form 10-K of the Company for the annual period ended December 31, 2013 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 28, 2014

/ S / Craig Abrahams

Craig Abrahams

Chief Financial Officer and Secretary

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA OF SIGNIFICANT EQUITY METHOD INVESTEE

**CAESARS GROWTH PARTNERS, LLC
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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We have proprietary rights to a number of trademarks used in this Exhibit to our Annual Report on Form 10-K that are important to our business, including, without limitation, World Series of Poker ("WSOP"), *Slotomania* and *Bingo Blitz*. In addition, Caesars Entertainment Corporation, our joint venture partner in Caesars Growth Partners, LLC, has proprietary rights to, among others, Caesars, Caesars Entertainment and Total Rewards. We have omitted the registered trademark (®) and trademark (™) symbols for such trademarks named in this to our Annual Report on Form 10-K.

EXPLANATORY NOTE

Unconsolidated Significant Subsidiary

Upon the completion of the Transactions (see Note 1 — Description of Business and Summary of Significant Accounting Policies of the consolidated financial statements for Caesars Growth Partners, LLC ("CGP LLC")) Caesars Acquisition Company's (the "Company", "CAC", "we", "our" and "us") sole material asset is its interest in Caesars Growth Partners, LLC ("CGP LLC"), which is accounted for using the equity method. As our investment in CGP LLC is considered to be significant for the period subsequent to the Transactions, CGP LLC's financial statements are included as an exhibit this Annual Report on Form 10-K in accordance with SEC Rule 3-09 of Regulation S-X.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members of Caesars Growth Partners, LLC:

We have audited the accompanying consolidated balance sheet of Caesars Growth Partners, LLC ("CGP LLC") as of December 31, 2013, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for the period from October 22, 2013 through December 31, 2013. These consolidated financial statements are the responsibility of CGP LLC's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. CGP LLC is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CGP LLC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of CGP LLC as of December 31, 2013, and the results of their operations and their cash flows for the period from October 22, 2013 through December 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, through transactions that occurred on October 21, 2013, CGP LLC became a joint venture between Caesars Acquisition Company and Caesars Entertainment Corporation. Such transactions have been accounted for as a reorganization under common control.

/s/ Deloitte & Touche LLP

Las Vegas, Nevada
March 28, 2014

CAESARS GROWTH PARTNERS, LLC
CONSOLIDATED BALANCE SHEET
(In millions)

December 31, 2013

Assets		
Current assets		
Cash and cash equivalents	\$	976.9
Short-term investments		15.0
Receivables, net of allowance for doubtful accounts of \$3.9		53.7
Interest receivable from related party		8.9
Deferred tax assets		7.0
Restricted cash		28.8
Prepayments and other current assets		13.2
Total current assets		1,103.5
Investment in notes from related party		931.6
Land, property and equipment, net		516.0
Goodwill		112.8
Intangible assets other than goodwill, net		168.2
Restricted cash		231.6
Deferred charges and other		114.8
Total assets	\$	3,178.5
Liabilities and Equity		
Current liabilities		
Accounts payable	\$	54.8
Payables to related party		49.4
Accrued expenses		126.4
Foreign tax payable		1.8
Current portion of long-term debt		0.1
Total current liabilities		232.5
Long-term debt		680.2
Long-term debt to related party		39.8
Convertible notes issued to related party		47.7
Deferred tax liabilities		3.8
Contingently issuable non-voting membership units		306.5
Deferred credits and other		69.6
Total liabilities		1,380.1
Commitments and contingencies (Note 12)		3.9
Redeemable non-controlling interests		3.9
Equity		
Additional paid-in capital		734.0
Retained earnings		782.1
Accumulated other comprehensive income		233.6
Total equity attributable to Caesars Growth Partners, LLC		1,749.7
Non-controlling interests		44.8
Total equity		1,794.5
Total liabilities and equity	\$	3,178.5

See accompanying Notes to Consolidated Financial Statements.

CAESARS GROWTH PARTNERS, LLC
CONSOLIDATED STATEMENT OF OPERATIONS
(In millions)

October 22, 2013
 Through
 December 31, 2013

Revenues	
<i>Interactive Entertainment</i>	
Social and mobile games	\$ 70.4
WSOP and online real money gaming	3.6
	<u>74.0</u>
<i>Casino Properties and Developments</i>	
Casino	37.1
Food and beverage	16.3
Rooms	17.5
Other	8.1
Less: casino promotional allowances	(11.3)
	<u>67.7</u>
Net revenues	<u>141.7</u>
Operating expenses	
<i>Interactive Entertainment - Direct</i>	
Platform fees	22.3
<i>Casino Properties and Developments - Direct</i>	
Casino	16.7
Food and beverage	7.5
Rooms	4.8
Property, general, administrative and other	92.5
Depreciation and amortization	8.8
Change in fair value of contingently issuable non-voting membership units	138.7
Change in fair value of contingent consideration	2.9
Total operating expenses	<u>294.2</u>
Loss from operations	(152.5)
Interest expense, net of interest capitalized	(11.9)
Interest income - related party	35.8
Loss on extinguishment of debt	(0.9)
Loss before provision for income taxes	(129.5)
Provision for income taxes	(2.6)
Net loss	<u>(132.1)</u>
Less: net loss attributable to non-controlling interests	4.6
Net loss attributable to Caesars Growth Partners, LLC	<u>\$ (127.5)</u>

See accompanying Notes to Consolidated Financial Statements.

CAESARS GROWTH PARTNERS, LLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
(In millions)

	October 22, 2013 Through December 31, 2013
Net loss	\$ (132.1)
Other comprehensive income, net of income taxes:	
Unrealized gain on investments in notes from related party	54.3
Total other comprehensive income	54.3
Comprehensive loss	(77.8)
Less: net loss attributable to non-controlling interests	4.6
Comprehensive loss attributable to Caesars Growth Partners, LLC	<u><u>\$ (73.2)</u></u>

See accompanying Notes to Consolidated Financial Statements.

CASESARS GROWTH PARTNERS, LLC
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In millions)

	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Non-controlling Interests	Total Equity
Inception	\$ —	\$ —	\$ —	\$ —	\$ —
Issuance of voting units	1,173.1	—	—	—	1,173.1
Issuance of non-voting units and impact of purchased and contributed assets	(424.9)	909.6	179.3	49.0	713.0
Post-Transactions balances	748.2	909.6	179.3	49.0	1,886.1
Net loss	—	(127.5)	—	(4.2)	(131.7)
Stock-based compensation	1.4	—	—	—	1.4
Unrealized gain on investments in notes from related party, net of tax	—	—	54.3	—	54.3
Distributions to parents	(15.6)	—	—	—	(15.6)
Balance at December 31, 2013	<u>\$ 734.0</u>	<u>\$ 782.1</u>	<u>\$ 233.6</u>	<u>\$ 44.8</u>	<u>\$ 1,794.5</u>

See accompanying Notes to Consolidated Financial Statements.

CAESARS GROWTH PARTNERS, LLC
CONSOLIDATED STATEMENT OF CASH FLOWS
(In millions)

October 22, 2013
 Through
 December 31, 2013

	October 22, 2013	Through December 31, 2013
Cash flows from operating activities		
Net loss	\$ (132.1)	
Adjustments to reconcile net loss to cash flows provided by operating activities		
Depreciation and amortization	8.8	
Amortization of debt discount	4.7	
Loss on early extinguishments of debt	0.9	
Change in fair value of contingently issuable non-voting membership units	138.7	
Change in fair value of contingent consideration	2.9	
Accretion of discount on investments in notes from related party	(23.2)	
Stock-based compensation expense	17.8	
Net change in deferred income taxes	(1.8)	
Net change in long-term accounts	2.9	
Net change in working capital accounts	19.7	
Other non-cash items	0.2	
Cash flows provided by operating activities	<u>39.5</u>	
Cash flows from investing activities		
Land, buildings and equipment additions, net of change in construction payables	(8.7)	
Purchase of short-term investments	(15.0)	
Payments to acquire businesses and assets related to the Transactions	(360.0)	
Change in restricted cash	(3.1)	
Cash flows used in investing activities	<u>(386.8)</u>	
Cash flows from financing activities		
Issuance of voting units	1,173.1	
Debt issuance costs and fees	(1.6)	
Payments on long-term debt to related party	(13.0)	
Distributions to parents	(22.3)	
Cash flows provided by financing activities	<u>1,136.2</u>	
Net increase in cash and cash equivalents	788.9	
Cash and cash equivalents, beginning of period	188.0	
Cash and cash equivalents, end of period	<u>\$ 976.9</u>	

See accompanying Notes to Consolidated Financial Statements.

CAESARS GROWTH PARTNERS, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Description of Business and Summary of Significant Accounting Policies

Organization and Transaction

Caesars Acquisition Company (the "Company," "CAC," "we," "our" and "us"), a Delaware corporation, was formed on February 25, 2013 to make an equity investment in Caesars Growth Partners, LLC ("CGP LLC"), a joint venture between CAC and subsidiaries of Caesars Entertainment Corporation ("CEC" or "Caesars Entertainment"), and following the transactions described below, directly owns 100% of the voting membership units of CGP LLC, a Delaware limited liability company. CGP LLC was formed on July 16, 2013 for the purpose of acquiring certain businesses and assets of Caesars Entertainment and to pursue high-growth operating assets.

On October 21, 2013, the joint venture was formed between subsidiaries of Caesars Entertainment and CAC through the execution of the series of transactions described below (which are collectively referred to as the "Transactions"):

- (i) The Class A common stock of CAC was made available via a subscription rights offering by Caesars Entertainment to its shareholders as of October 17, 2013 (the "Rights Offering"), whereby each subscription right entitled its holder to purchase from CAC one share of CAC's Class A common stock or the right to retain such subscription right;
- (ii) Affiliates of Apollo Global Management, LLC ("Apollo") and affiliates of TPG Global, LLC ("TPG" and, together with Apollo, the "Sponsors") exercised their basic subscription rights in full and purchased \$457.8 million worth of CAC's Class A common stock at a price of \$8.64 per whole share;
- (iii) CAC used the proceeds from the exercise of the basic subscription rights in clause (ii) above to purchase 100% of the voting units of CGP LLC;
- (iv) CGP LLC subsequently used \$360.0 million of the proceeds received from CAC in clause (iii) above to purchase from Caesars Entertainment Operating Company, Inc. ("CEOQ"), a wholly-owned subsidiary of Caesars Entertainment (we refer to the following assets as the "Purchased Assets"):
 - a. the equity interests of PHWLV, LLC ("PHWLV"), which holds the Planet Hollywood Resort & Casino in Las Vegas ("Planet Hollywood");
 - b. the equity interests of Caesars Baltimore Investment Company, LLC (the "Maryland Joint Venture"), the entity that indirectly holds interests in the owner of the Horseshoe Baltimore Casino ("Horseshoe Baltimore") in Maryland, a licensed casino development project expected to open in the third quarter of 2014; and
 - c. a 50% interest in the management fee revenues of PHW Manager, LLC, which manages Planet Hollywood and Caesars Baltimore Management Company LLC, which holds an agreement to manage the Maryland Joint Venture.
- (v) Caesars Entertainment contributed all of the shares of Caesars Interactive Entertainment, Inc.'s ("CIE" or "Caesars Interactive") outstanding common stock held by a subsidiary of Caesars Entertainment and approximately \$1.1 billion in aggregate principal amount of senior notes held by a subsidiary of Caesars Entertainment (the "CEOQ Notes" and, together with the shares of CIE, the "Contributed Assets") to CGP LLC, in exchange for all of CGP LLC's non-voting units.

Prior to the consummation of the Transactions, Planet Hollywood was owned by PHW Las Vegas, LLC ("PHW Las Vegas"). On October 21, 2013, in connection with and prior to the closing of the Transactions, PHW Las Vegas contributed and assigned to PHWLV, a wholly-owned subsidiary of PHW Las Vegas, and PHWLV accepted and assumed from PHW Las Vegas, all of its assets and liabilities of PHW Las Vegas, including Planet Hollywood.

The closing of the Rights Offering for subscription rights not previously exercised by the Sponsors, and for any over-subscription privileges including over-subscription privileges exercised by the Sponsors, occurred on November 18, 2013 and CAC distributed a total of 135,771,882 shares of Class A common stock to the holders of subscription rights who validly exercised their subscription rights and paid the subscription price in full. CAC received aggregate gross proceeds from the Rights Offering of approximately \$1,173.1 million . Effective November 19, 2013, our common stock trades on the NASDAQ Global Select Market under the symbol "CACQ."

Pursuant to the terms of the Transactions, CGP LLC is obligated to issue additional non-voting membership units to Caesars Entertainment to the extent that the earnings from CIE's social and mobile games business exceeds a specified threshold amount in 2015. The number of units to be issued is capped at a value of \$225 million divided by the value of the non-voting units at the date of the Transactions. Also on October 21, 2013, the aggregate fair market value of the subscription rights issued by Caesars Entertainment was restored to Caesars Entertainment through a return of senior notes previously issued by CEOC from CGP LLC. The amount of the restoration was approximately \$21.1 million .

CGP LLC reimbursed Caesars Entertainment and CAC for approximately \$24.8 million fees and expenses incurred in connection with the Transactions.

CGP LLC has two reportable segments: Interactive Entertainment and Casino Properties and Developments. The Interactive Entertainment segment consists of the Caesars Interactive business and the Casino Properties and Developments segment consists primarily of the Planet Hollywood business along with the interest in Horseshoe Baltimore.

Use of Estimates

CGP LLC consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), which requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and notes thereto. Significant estimates and assumptions reflected in CGP LLC's consolidated financial statements include, but are not limited to, the estimated consumption rate of virtual goods that it uses for revenue recognition within the Interactive Entertainment segment, useful lives of property, equipment and amortizing intangible assets, income taxes, accounting for stock-based compensation, the valuation of contingent consideration and the evaluation of goodwill and long-lived assets for impairment. Management believes the accounting estimates are appropriate and reasonably determined. However, due to the inherent uncertainties in making these estimates, actual amounts could differ from such estimates.

Principles of Consolidation

CGP LLC's consolidated financial statements include the accounts of CGP LLC and its subsidiaries after elimination of all intercompany accounts and transactions. These consolidated financial statements include the accounts of all wholly-owned subsidiaries and any partially-owned subsidiaries that CGP LLC has the ability to control. Control generally equates to ownership percentage, whereby investments that are more than 50% owned are consolidated, investments in affiliates of 50% or less but greater than 20% are generally accounted for using the equity method, and investments in affiliates of 20% or less are accounted for using the cost method.

CGP LLC's consolidated financial statements also include the accounts of any variable interest entity for which CGP LLC is determined to be the primary beneficiary. Up through and including December 31, 2013, CGP LLC analyzed its variable interests to determine if the entity that is party to the variable interest is a variable interest entity in accordance with GAAP. This analysis included both quantitative and qualitative reviews. Qualitative analysis was based on CGP LLC's review of the design of the entity, its organizational structure including decision-making ability and financial agreements. Based on these analyses, CGP LLC is the primary beneficiary and therefore consolidated the Horseshoe Baltimore development project in Maryland, a variable interest entity venture with Rock Gaming LLC ("Rock Gaming").

The results of operations for CGP LLC for the period presented herein are not necessarily indicative of the results of operations that may be achieved in future years.

Transactions between Caesars Entertainment and CGP LLC have been identified in the consolidated historical financial statements and the notes thereto as transactions between related parties (see Note 18 — Related Party Transactions).

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with maturities of less than three months from the date of purchase and are stated at the lower of cost or market value.

Short-term Investments

CGP LLC's short-term investments consist of bank deposits with original maturities greater than 3 months but less than 12 months, which are classified as held-to-maturity investments and recorded at amortized cost.

Restricted Cash

Restricted cash includes amounts restricted under the terms of the Planet Hollywood and Horseshoe Baltimore debt agreements (see Note 8 — Financial Instruments) which require that CGP LLC maintain certain reserves for items including but not limited to payment of property taxes, insurance, interest and ongoing furniture, fixtures and equipment purchases or property development or improvements. The

classification between current and long-term is dependent upon the intended use of each particular reserve.

Receivables

CGP LLC issues credit to approved casino customers following background checks and investigations of creditworthiness. Business or economic conditions or other significant events could affect the collectability of these receivables.

Accounts receivable are typically non-interest bearing and are initially recorded at cost. Accounts are written off when management deems the account to be uncollectible. Recoveries of accounts previously written off are recorded when received. We reserve an estimated amount for gaming receivables that may not be collected to reduce receivables to their net carrying amount, which approximates fair value. Methodologies for estimating the allowance for doubtful accounts range from specific reserves to various percentages applied to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific reserves. Receivables are reported net of an allowance for doubtful accounts of \$3.9 million as of December 31, 2013 .

Marker play represents a significant portion of our overall table games volume. We maintain strict controls over the issuance of markers and aggressively pursue collection from those customers who fail to pay their marker balances timely. These collection efforts are similar to those used by most large corporations when dealing with overdue customer accounts, including the mailing of statements and delinquency notices, personal contacts, the use of outside collection agencies and civil litigation. Markers are generally legally enforceable instruments in the United States. Markers are not legally enforceable instruments in some foreign countries, but the United States' assets of foreign customers may be reached to satisfy judgments entered in the United States. We consider the likelihood and difficulty of enforceability, among other factors, when we issue credit to customers who are not residents of the United States.

Investments in Notes from Related Party

CGP LLC's investments in senior notes previously issued by CEOC, a related party, are classified as available for sale investments and recorded at fair value with changes in fair value being recorded in Accumulated other comprehensive income. Any discount or premium is amortized to interest income using the effective interest method. We classify our investment in notes from related party as current or long-term depending on the maturity of the instruments along with management's intent on holding such instruments.

Land, Property and Equipment

Additions to land, property and equipment are stated at cost. CGP LLC capitalizes the costs of improvements that extend the life of the asset and expense maintenance and repair costs as incurred. Gains or losses on the dispositions of land, property and equipment are included in the determination of income. CGP LLC capitalized interest of \$1.3 million for the period October 22 through December 31, 2013 , primarily associated with the Horseshoe Baltimore development project.

Depreciation is provided using the straight-line method over the shorter of the estimated useful life of the asset or the related lease, as follows:

Land improvements	12 years
Building and improvements	5 - 40 years
Furniture, fixtures and equipment	2.5 - 20 years

CGP LLC reviews the carrying value of land, property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value of the asset, an impairment loss is recognized equal to an amount by which the carrying value exceeds the estimated fair value of the asset. The factors considered by management in performing this assessment include current operating results, trends, prospects, the effect of obsolescence, demand, competition, potential decreases in the marketplace, a change in physical condition, and legal and other economic factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the reporting unit level, which, for most of our assets, is the individual property. CGP LLC did not recognize any impairment in any of the periods presented.

Goodwill and Other Non-Amortizing Intangible Assets

The purchase price of an acquisition is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. CGP LLC determines the estimated fair values after review and consideration of relevant information including discounted cash flows, quoted market prices, and estimates made by management. To the extent the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired and liabilities assumed, such excess is recorded as goodwill.

CGP LLC performs an annual goodwill impairment assessment on October 1. CGP LLC performs this assessment more frequently if impairment indicators exist. CGP LLC determines the estimated fair value of each reporting unit based on a combination of earnings before interest, taxes, depreciation and amortization ("EBITDA"), valuation multiples and estimated future cash flows discounted at rates commensurate with the capital structure and cost of capital of comparable market participants, giving appropriate consideration to the prevailing borrowing rates within the casino industry in general. CGP LLC also evaluates the aggregate fair value of all of the reporting units and other non-operating assets in comparison to the aggregate debt and equity market capitalization at the test date. EBITDA multiples and discounted cash flows are common measures used to value businesses in the industry.

CGP LLC performs an annual impairment assessment of other non-amortizing intangible assets as of October 1. CGP LLC performs this assessment more frequently if impairment indicators exist. CGP LLC determines the estimated fair value of non-amortizing intangible assets by primarily using the "Relief From Royalty Method" and "Excess Earnings Method" under the income approach.

The annual evaluation of goodwill and other non-amortizing intangible assets requires the use of estimates about future operating results, valuation multiples, and discount rates to determine their estimated fair value. Changes in these assumptions can materially affect these estimates. Thus, to the extent gaming volumes deteriorate further in the near future, discount rates increase significantly, or CGP LLC does not meet projected performance, CGP LLC could have impairments to record in the next twelve months and such impairments could be material.

Assets and liabilities contributed to or acquired by CGP LLC in the Transactions described previously are considered transactions between entities under common control. Thus, there is no goodwill or recognition of previously unrecognized other intangible assets resulting from the Transactions.

Debt Discounts or Premiums and Unamortized Debt Issue Costs

Debt discounts or premiums and debt issue costs incurred in connection with the issuance of debt are capitalized and amortized to interest expense based on the related debt agreements primarily using the effective interest method. Unamortized discounts or premiums are written off and included in gain or loss calculations to the extent CGP LLC retires debt prior to its original maturity date. Unamortized debt issue costs are included in Deferred charges and other in our Consolidated Balance Sheet.

Derivative Instruments

Derivative instruments are recognized in the consolidated financial statements at fair value. Any changes in fair value are recorded in the Consolidated Statement of Operations. The estimated fair value of CGP LLC's derivative instruments are based on market prices obtained from dealer quotes and in the case of contingently issuable non-voting membership units, the estimated fair value is based on a multiple of EBITDA in excess of a specified minimum threshold and includes a maximum payout threshold. Such quotes represent the estimated amounts CGP LLC would receive or pay to terminate the contract. See Note 8 — Financial Instruments for additional discussion on derivative instruments.

Deferred Credits

Below market leases of Planet Hollywood recorded at their estimated fair value at the date of acquisition are recorded in Deferred credits and other on the Consolidated Balance Sheet. CGP LLC revalued existing tenant leases at the time of acquisition of Planet Hollywood and recorded deferred credits of \$14.4 million related to these below market leases. Deferred credits related to below market leases are amortized as an increase to rental income over the remaining terms of the respective leases. Planet Hollywood recognized additional non-cash rental income of \$0.4 million for the period October 22 through December 31, 2013 .

Self-Insurance Accruals

Planet Hollywood was self-insured up to certain limits for costs associated with general liability, workers' compensation, and employee health coverage through June 2013. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims and are included in Accrued expenses on the CGP LLC Consolidated Balance Sheet. In estimating these reserves, historical loss experience and judgments about the expected levels of costs per claim are considered. These claims are accounted for based on actuarial estimates of the undiscounted claims, including those claims incurred but not reported. Planet Hollywood believes the use of actuarial methods to account for these liabilities provides a consistent and effective way to measure these highly judgmental accruals. CGP LLC regularly monitors the potential for changes in estimates, evaluates its insurance accruals, and adjusts its recorded provisions. Starting in July 2013, third-party insurance coverage was obtained on a prospective basis.

Revenue Recognition

Interactive Entertainment

Social and Mobile Games. CIE derives revenue from the sale of virtual currencies within casino-themed social and

mobile games which are played on various global social and mobile third-party platforms. CIE's *Slotomania* and *Bingo Blitz* applications represented 87% of CIE's social and mobile games revenues for the period October 22 through December 31, 2013 .

Within the *Slotomania* application, game players may collect free virtual coins on a regular basis, may send "gifts" of either free virtual coins or free slot machine spins to their friends through interactions with the Facebook application, and may "earn" free virtual coins through targeted marketing promotions. Within the *Bingo Blitz* application, game players may collect free bingo credits on a regular basis, may send "gifts" of free bingo credits or other virtual items to their friends through interactions with the Facebook application, and may "earn" free bingo credits through targeted marketing promotions. Virtual coins in *Slotomania* and virtual bingo credits in *Bingo Blitz* (collectively referred to as "virtual currency" or "virtual goods") allow the game players to play the respective games free of charge. If a game player wishes to obtain virtual goods above and beyond the level of free virtual goods available to that player, the player may purchase additional virtual goods. Once a purchase of virtual goods is completed, the coins are deposited into the players account and are not separately identifiable from previously purchased virtual goods or virtual goods obtained by the game player for free.

Once obtained, virtual currency (either free or purchased) cannot be redeemed for cash nor exchanged for anything other than game play. When virtual currency is played in the games, the game player could "win" and would be awarded additional virtual currency, or could "lose" and essentially lose the future use of that virtual currency. As the game player does not receive any additional benefit from the games, nor is the game player entitled to any additional rights once the game player's virtual goods are substantially consumed, CIE has concluded that the virtual goods represent consumable goods.

CIE has determined through a review of customer play behavior that game players who purchase virtual currency generally are not purchasing additional virtual currency if their existing virtual goods balances have not been substantially consumed. As CIE is able to track the duration between purchases of virtual currency for individual game players, CIE is able to reliably estimate the period of time over which virtual currency is consumed. As such, CIE recognizes revenue using an item-based revenue model.

Because CIE is unable to distinguish whether purchased or free virtual currency is consumed, CIE must estimate the amount of outstanding purchased virtual currency at each reporting period based on customer behavior. Based upon an analysis of the customers' historical play behavior, the timing difference between when virtual currencies are purchased by a customer and when those virtual currencies are consumed in gameplay is relatively short. CIE records within other current liabilities the deferred revenue associated with its social and mobile games, and also records within other current assets the prepaid platform fees associated with this deferred revenue.

At December 31, 2013 , CIE recorded within Accrued expenses short-term deferred revenue associated with its social and mobile games of \$2.2 million. CIE also recorded within Prepayments and other current assets the prepaid platform fees associated with this deferred revenue, aggregating \$0.7 million at December 31, 2013 .

CIE continues to gather detailed customer play behavior and assess this data in relation to its revenue recognition policy. To the extent the customer play behavior changes, CIE will reassess its estimates and assumptions used for revenue recognition.

The *Slotomania* and *Bingo Blitz* applications are played on various social and mobile third-party platforms for which such third parties collect monies from CIE's customers and pay CIE an amount after deducting a platform fee. CIE is the primary obligor with its customers and under these arrangements, retains the ability to establish the pricing for its virtual currencies, and assumes all credit risk with its customers.

Prior to September 2013, transactions conducted through the Facebook platform were facilitated using Facebook credits ("FB Credits"), a form of virtual currency specific to the Facebook platform. Effectively, transactions priced by CIE to sell a specified number of virtual goods for a specified cost in a game player's local currency had FB Credits inserted into the transaction flow, whereby the purchase price paid by the game player was first converted to FB Credits, and the FB Credits were then converted into the resulting number of virtual goods. This provided a means for Facebook platform users to accumulate FB Credits prior to making an in-application purchase, and for the Facebook platform to provide to its users FB Credits at a discount or for free.

Subsequent to the elimination of FB Credits, Facebook may provide free gift cards or determine other means of discounting virtual currencies purchased by the Facebook platform users. As a result, CIE reviews the individual transaction details to ensure that revenues recognized for the sale of virtual currencies through the Facebook platform represent cash paid for such currencies by CIE's game players.

Based upon the above facts, CIE recognizes revenues from its game-playing customers on a gross basis and related platform fees are recorded as a component of operating expense.

Taxes collected from customers on behalf of governmental authorities are accounted for on a net basis and are not included in net revenues or operating expenses.

WSOP and Online Real Money Gaming. The majority of CIE's WSOP and non-U.S. regulated online real money licensed gaming revenue is derived from licensing the WSOP and Caesars trade names to third parties for the use in regulated online real money gaming and social and mobile games, from the licensing of the WSOP trade name, television rights and sponsorship for the WSOP live tournaments. With respect to the licensing agreements, CIE's revenues are typically based upon a percentage of gaming revenue earned by its licensees and the fees it receives from Caesars Entertainment for the WSOP circuit events.

CIE's license fee revenues generated from regulated online real money gaming are recognized as earned based on a contractually agreed upon percentage of the net gaming revenue. CIE believes that it is the agent in these transactions and therefore records the net licensing revenue derived from its licensees' net gaming revenue. Revenue related to the licensing of the WSOP trade name to third parties for the use in for social, mobile and console games is recognized based on an agreed percentage of the third parties' revenues through revenue sharing agreements.

Media and sponsorship revenues related to WSOP live tournaments are recorded as earned generally over the initial broadcasting period of the WSOP live tournaments. At December 31, 2013, CIE recorded within Accrued expenses, deferred revenue associated with its WSOP and online gaming business of \$0.8 million.

Online real money gaming revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for player deposits. Cash discounts and other cash incentives related to online real money gaming are recorded as a reduction to WSOP and online real money gaming revenues.

Casino Properties and Developments

Casino Revenues. Casino revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers' possession. However, jackpots, other than the incremental amount of progressive jackpots, are recognized at the time they are won by customers. CGP LLC accrues the incremental amount of progressive jackpots as the progressive machine is played and the progressive jackpot amount increases, with a corresponding reduction of casino revenue.

Food, Beverage, Rooms, and Other. Food, beverage, accommodations, and other revenues are recognized when services are performed. Advance deposits on rooms and advance ticket sales are recorded as customer deposits until services are provided to the customer. Sales taxes and other taxes collected from customers on behalf of governmental authorities are accounted for on a net basis and are not included in net revenues or operating expenses. The retail value of accommodations, food and beverage, and other services furnished to casino guests without charge is included in gross revenue and then deducted as promotional allowances. The estimated costs of providing such promotional allowances are classified as casino expenses as follows:

<u>(In millions)</u>	October 22, 2013 Through December 31, 2013
Food and beverage	\$ 3.3
Rooms	1.7
Other	0.5
	<hr/> <hr/> <hr/>
	\$ 5.5

Platform Fees

Platform fees relate to CGP LLC's Interactive Entertainment segment and consist of fees paid to third-party social and mobile platform providers, including Facebook and Apple. Approximately 49.4% of platform fees incurred for the period October 22 through December 31, 2013 were payable to Facebook. Approximately, 31.3% of platform fees incurred for the period October 22 through December 31, 2013 were payable to Apple. Other than the deferral of platform fees associated with deferred revenues, platform fees are expensed as incurred.

Total Rewards Point Liability Program

Caesars Entertainment's customer loyalty program, Total Rewards, offers incentives to customers who gamble at Caesars Entertainment's casinos throughout the United States, including CGP LLC's Planet Hollywood casino. Under the program, customers are able to accumulate, or bank, reward credits over time that they may redeem at their discretion under the terms of the program. The reward credit balance will be forfeited if the customer does not earn a reward credit over the prior six-month period. As a result of the ability of the customer to bank the reward credits, Caesars Entertainment accrues the expense of reward credits, after consideration of estimated forfeitures (referred to as "breakage"), as they are earned. The estimated value of the cost to provide reward credits is expensed by Caesars Entertainment as the reward credits are earned by customers. To arrive at the estimated cost associated with reward credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates, and the mix of goods and services for which reward credits will be redeemed. Caesars Entertainment uses historical data to assist in the determination of estimated accruals.

Amounts associated with Planet Hollywood's participation in the program are included in Payables to related party in CGP LLC's Consolidated Balance Sheet and this liability is settled with Caesars Entertainment on a monthly basis. Planet Hollywood's associated cost to provide reward credits is included in Casino expense in the Consolidated Statement of Operations. The estimated liability for Total Rewards credit redemptions was \$0.8 million for the period October 22 through December 31, 2013 .

Research and Development

CIE incurs various direct costs in relation to the development of future social and mobile games applications and future online real money poker applications, along with costs to improve current social and mobile games. CIE evaluates research and development costs incurred to determine whether the costs relate to the development of software, and therefore are required to be capitalized, and have concluded there are no capitalizable research and development costs related to the development of software at this time.

All other research and development costs are expensed as incurred. Research and development costs were \$7.8 million for the period October 22 through December 31, 2013 . Such amounts are included in Property, general, administrative and other within the Consolidated Statement of Operations.

Advertising

CGP LLC expenses the production costs of advertising the first time the advertising takes place. Advertising expense was \$16.3 million for the period October 22 through December 31, 2013 . Advertising expense is included in Property, general, administrative and other expenses within the Consolidated Statement of Operations.

Stock-based Compensation

Caesars Entertainment grants stock-based compensation awards in Caesars Entertainment common stock to certain employees that work for the management companies of Planet Hollywood and Horseshoe Baltimore under the Caesars 2012 Performance Incentive Plan. CGP LLC did not record any allocation of Caesars Entertainment's expense associated with Planet Hollywood or Horseshoe Baltimore executives' stock-based awards for the period October 22 through December 31, 2013 as it was not considered material to the consolidated financial statements.

Caesars Interactive grants stock-based compensation awards in Caesars Interactive common stock to its employees and service providers in accordance with the Caesars Interactive Entertainment, Inc. Amended and Restated Management Equity Incentive Plan (the "Plan"), which is intended to promote the interests of Caesars Interactive and its shareholders by providing key employees, directors, service providers and consultants with an incentive to encourage their continued employment or service and improve the growth and profitability of Caesars Interactive. The Plan provides for the Plan to be administered by the Human Resources Committee of the Board of Directors of Caesars Acquisition Company (the "Committee"). As a matter of policy, the exercise price of all options granted under the Plan has been determined by the Committee to ensure that the exercise price of options granted under the Plan complies with the requirement that such exercise price is not less than the fair market value of the underlying shares at the respective grant dates. Caesars Interactive has granted stock options and warrants, restricted shares and management shares to its employees. These programs are classified as either equity or liability-based instruments dependent on the terms and conditions of each of the awards. Equity-classified instruments are measured at their fair value at their date of grant and liability-classified instruments are re-measured at their fair value at each reporting date for accounting purposes. A description of the components of these programs is provided in Note 15 — Stock-Based Compensation and Employee Benefit Plans .

Income Taxes

CGP LLC records income taxes under the asset and liability method, whereby deferred tax assets and liabilities are recognized based on the expected future tax consequences of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and attributable to operating loss and tax credit carryforwards. CGP LLC reduces the carrying amounts of deferred tax assets by a valuation allowance if, based on the available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically based on the more likely than not realization threshold. This assessment considers, among other matters, the nature, frequency, and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, our experience with operating loss and tax credit carryforwards not expiring unused, and tax planning alternatives.

The effect on the income tax provision and deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The provision for income taxes included in the Consolidated Statement of Operations only includes CIE, the corporate subsidiary of CGP LLC, which was taxed as a corporation for federal, state and foreign income tax purposes. CGP LLC is a pass-through entity for U.S. federal and state income tax purposes and thus, not subject to taxation for federal, state and foreign income tax.

Note 2 — Recently Issued Accounting Pronouncements

Effective January 1, 2013, the Financial Accounting Standards Board ("FASB") issued new guidance on the reporting of reclassifications out of accumulated other comprehensive income. The guidance requires an entity to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of Accumulated other comprehensive income by the respective line items of net income if the amount is reclassified to net income in its entirety in the same reporting period. As this is a presentation and disclosure requirement, there was no impact on CGP LLC's consolidated financial position, results of operations or cash flows upon adoption.

In March 2013, the FASB issued new guidance applicable to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The new guidance is effective for CGP LLC on January 1, 2014. CGP LLC plans to adopt the guidance prospectively as of January 1, 2014 and will evaluate the impact, if any, that this guidance will have on its consolidated financial position, results of operations and cash flows should it sell a part or all of an investment in a foreign entity.

In July 2013, the FASB issued new guidance for the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carry-forward exists. The new guidance is effective for CGP LLC on January 1, 2014. CGP LLC does not expect this new guidance to have a material impact on its consolidated financial position or results of operations.

Note 3 — Development and Acquisition Activity

Interactive Entertainment

Acquisition of Buffalo Studios LLC

In December 2012, Caesars Interactive purchased substantially all of the assets of Buffalo Studios LLC ("Buffalo Studios"). Aggregate consideration was \$50.8 million, including CGP LLC's preliminary estimate of \$5.6 million in contingent consideration. Buffalo Studios is a developer of social and mobile games which are played through a Facebook, Apple, or Android platform. Buffalo Studios' principal revenue source is *Bingo Blitz*, an online bingo game in which users compete to win virtual prizes and game enhancements. Buffalo Studios offers its games under a "free-to-play" model in which users can download and play the game for free, but are charged for additional game credits, game enhancements, and the purchase of virtual goods. The results of Buffalo Studios for periods subsequent to the acquisition are included in our results in our Interactive Entertainment segment.

As part of the business combination, CIE acquired intangible assets. The fair value methodology used to value the established user base followed a replacement cost method. As such, the fair value of the established customer base was based on the cost to recreate the user base using the means of advertising typically employed by CIE to market its games to potential users. The fair value of the developed games and game titles was based on a multi-period excess earnings method, which is an application of the discounted cash flow method and computes the present value of after-tax cash flows attributable to the associated future income stream.

Intangible assets acquired consisted of developed games, valued at \$21.0 million with an estimated useful life of 5 years, an established user base valued at \$7.6 million with an estimated life of 2.5 years, and game titles valued at \$7.5 million with a life of ten years. The goodwill is attributed to the workforce of Buffalo Studios and the significant synergies expected subsequent to the acquisition.

Other CIE Acquisitions

In May 2013, CIE acquired the *World Series of Poker* social and mobile game assets and intellectual property from Electronic Arts, Inc. In August 2013, CIE acquired an online gaming development business based in the Ukraine. In October 2013, certain wholly-owned subsidiaries of Caesars Interactive acquired the workforce, assets and intellectual property (collectively, the "Acquired Assets") of unaffiliated third parties. Total consideration for the Acquired Assets was \$18.0 million, of which \$10.0 million was paid on October 21, 2013 and \$8.0 million is contingent upon achieving certain milestone events. CGP LLC has not yet finalized its purchase price allocation related to the consideration paid for this acquisition. Assets acquired and liabilities assumed in these transactions were not material to CGL LLC's financial statements.

Casino Properties and Development

Baltimore, Maryland Development

In October 2012, Caesars Entertainment entered into definitive agreements with investors associated with Rock Gaming, CVPR Gaming Holdings, LLC, STRON-MD Limited Partnership, and PRT Two, LLC, to form a joint venture that will build and own the Horseshoe Baltimore casino. Pursuant to such definitive agreements, Caesars Entertainment committed to contribute a maximum of \$78.0 million in capital to the joint venture, \$17.7 million of which has previously been contributed for the purpose of developing and constructing the casino. CGP LLC has an approximate 51.8% indirect ownership interest in the joint venture, which is a consolidated subsidiary (see Note 19 — Subsequent Events for transactions relative to this transaction which occurred after December 31, 2013).

In October 2012, CBAC Gaming, LLC, ("CBAC") an indirectly-held subsidiary of the Company entered into a lease with the City of Baltimore, Maryland to lease vacant real property for the gaming facility in Baltimore, Maryland. In connection with the execution of the lease, CBAC also entered into a Land Disposition Agreement (the "LDA") with the City of Baltimore to acquire real property for the purpose of demolishing existing improvements and, thereafter, developing and operating parking garage immediately adjacent to the casino entertainment facility. The total purchase price for this real property is approximately \$5.9 million .

Pursuant to the Maryland Joint Venture definitive agreements, capital calls were made to all members in April 2013 and June 2013 for an aggregate amount of \$73.3 million to fund the ongoing development activities and capitalization requirements for financing of the joint venture. In accordance with CGP LLC's ownership interests in the Maryland Joint Venture, its portion of the capital contribution amounted to an aggregate total of approximately \$38.0 million , which was paid by Caesars Entertainment and appears as a capital contribution within Additional paid-in capital on CGP LLC's Consolidated Statement of Equity.

As of December 31, 2013, STRON-MD Limited Partnership holds 4.8% of the Horseshoe Baltimore joint venture. Their non-controlling interest contains an embedded put feature that may cause us, at any time, to purchase all of STRON-MD Limited Partnership's interest in Horseshoe Baltimore either at cost prior to the commencement of the planned casino's operations, or at fair market value after the commencement of operations. For accounting purposes, their ownership interest is presented as redeemable non-controlling interest presented outside of permanent equity on the Consolidated Balance Sheet (see Note 9 — Equity and Non-Controlling Interests for the changes in the carrying amount of redeemable non-controlling interest).

Note 4 — Land, Property and Equipment, net

Land, property and equipment, net consists of the following:

(In millions)	December 31, 2013	
Land and land improvements	\$	97.0
Building and improvements		320.4
Furniture, fixtures and equipment		98.4
Construction in progress		97.5
		<u>613.3</u>
Less: accumulated depreciation		(97.3)
Land, property and equipment, net	<u>\$</u>	<u>516.0</u>

Caesars Interactive entered into a Platform Development and Service Agreement, dated as of January 30, 2012 (the "Platform Agreement"), with 888, Caesars Interactive's partner in the UK online real money gaming market. The Platform Agreement provides that 888 will develop and service an online real money poker platform for use in any United States jurisdiction when online real money gaming becomes legal. Under this agreement, 888 receives a portion of the revenue derived from the platform and reimbursement for expenses. Reimbursements for computer hardware incurred prior to construction in progress, and reimbursements for other development costs and expenses have been recorded in Property, general, administrative and other in the Combined Statements of Operations. The Platform agreement also provides 888 the option to market or sell the rights to the technology developed under the agreement, but upon exercising such option, 888 would be required to reimburse Caesars Interactive some or all of the computer hardware and development costs and expenses.

In August 2013, Caesars Interactive and 888 amended the Platform Agreement and entered into a Services Agreement (collectively, the "888 Agreements") whereby 888 exercised its non-exclusivity option allowing them to use and market the platform in jurisdictions that Caesars Interactive operates. In accordance with the 888 Agreements, 888 reimbursed Caesars Interactive for costs incurred during the development stage of the platform. Additionally, 888 will reimburse Caesars Interactive for computer hardware costs through a reduction of 888's revenue share.

Depreciation expense for property and equipment is reflected in Depreciation and amortization in the Consolidated Statement of Operations. For the period October 22 through December 31, 2013 aggregate depreciation expense was \$5.6 million .

Note 5 — Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill were as follows:

<u>(In millions)</u>	Interactive Entertainment	Casino Properties and Developments	Total
Balance at October 22, 2013	\$ 87.3	\$ 25.2	\$ 112.5
Acquisitions	0.3	—	0.3
Balance at December 31, 2013	<u>\$ 87.6</u>	<u>\$ 25.2</u>	<u>\$ 112.8</u>

The following table provides the gross carrying amount and accumulated amortization for each major class of intangible assets other than goodwill:

<u>(Dollars in millions)</u>	<u>December 31, 2013</u>			
	Weighted Average Remaining Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets				
Developed technology	3.6	\$ 45.2	\$ (15.3)	\$ 29.9
Customer relationships / user base	2.0	16.9	(9.8)	7.1
Other intangible assets	9.0	11.5	(1.5)	10.0
		<u>\$ 73.6</u>	<u>\$ (26.6)</u>	<u>47.0</u>
Non-amortizing intangible assets				
Trade name				98.7
Baltimore gaming license				22.5
				<u>121.2</u>
Total intangible assets other than goodwill				<u>\$ 168.2</u>

The aggregate amortization expense for those intangible assets that are amortized is reflected in Depreciation and amortization in the Consolidated Statement of Operations. For the period October 22 through December 31, 2013 there was \$3.2 million of amortization expense. Estimated annual amortization expense for the years ending December 31, 2014, 2015, 2016, 2017, 2018 and thereafter is \$14.1 million , \$12.4 million , \$7.8 million , \$6.3 million , \$1.6 million and \$4.8 million , respectively. No impairment charge was indicated for the period October 22 through December 31, 2013 .

Note 6 — Accrued Expenses

Accrued expenses consisted of the following:

<u>(In millions)</u>	<u>December 31, 2013</u>
Contingent consideration ⁽¹⁾	\$ 59.6
Payroll and other compensation	14.9
Deferred revenue, deposits and customer funds liability, including advance hotel deposits	17.0
Accrued non-income taxes	3.2
Share-based payment obligations	3.8
Self-insurance claims and reserves	3.4
Interest payable	5.9
Other accruals	18.6
	<u>\$ 126.4</u>

⁽¹⁾Contingent consideration related to acquisitions (See Note 3 — Development and Acquisition Activity and Note 11 — Fair Value Measurements).

Note 7 — Debt

The following table presents CGP LLC's outstanding third-party debt, excluding capital lease obligations, as of December 31, 2013 :

<u>(In millions)</u>	December 31, 2013			
	Maturity	Rate	Face Value	Book Value
Planet Hollywood Amended and Restated Loan Agreement	2015	3.03%	\$ 494.8	\$ 462.5
Baltimore Credit Facility	2020	8.25%	225.0	214.4
Baltimore Promissory Note	2018	—	4.7	3.3
			\$ 724.5	\$ 680.2

Planet Hollywood Amended and Restated Loan Agreement

In connection with the 2010 acquisition of Planet Hollywood and the related assumption of debt, Planet Hollywood entered into the Amended and Restated Loan Agreement with Wells Fargo Bank, N.A., as trustee for The Credit Suisse First Boston Mortgage Securities Corp. Commercial Mortgage Pass-Through Certificates, Series 2007- TFL2 (the "Lender"). On October 26, 2011, Planet Hollywood exercised its option to extend the Planet Hollywood senior secured loan to 2013. On December 5, 2013 the loan maturity was again extended to April 2015. No additional options exist to extend the maturity of the loan. This loan is secured by the assets of PHWLV, LLC.

The loan contains customary affirmative covenants, subject to certain exceptions, requiring Planet Hollywood to, among other things, deliver annual financial statements, annual budgets, maintain its properties, maintain its books and records, maintain insurance, and comply with laws and material contracts.

The loan contains customary negative covenants, subject to certain exceptions, restricting or limiting the ability of Planet Hollywood to, among other things, dispose of its assets and change its business or ownership, consummate mergers or acquisitions and create liens on its assets.

Management believes that CGP LLC is in compliance with the Planet Hollywood Amended and Restated Loan Agreement covenants as of December 31, 2013 .

Planet Hollywood may, at its option, voluntarily prepay the loan in whole or in part upon twenty (20) days prior written notice to Lender. Planet Hollywood is required to prepay the loan in (i) the amount of any insurance proceeds received by Lender for which Lender is not obligated to make available to Planet Hollywood for restoration in accordance with the terms of the Amended and Restated Loan Agreement, (ii) the amount of any proceeds received from the operator of the timeshare property adjacent to Planet Hollywood Resort and Casino, subject to the limitations set forth in the Amended and Restated Loan Agreement, and (iii) the amount of any excess cash remaining after application of the cash management provisions of the Amended and Restated Loan Agreement.

In connection with Planet Hollywood's Amended and Restated Loan Agreement, Caesars Entertainment entered into a Guaranty Agreement (the "Guaranty") for the benefit of the Lender, pursuant to which Caesars Entertainment guaranteed to the Lender certain recourse liabilities of Planet Hollywood. Caesars Entertainment's maximum aggregate liability for such recourse liabilities is limited to \$30.0 million, provided that such recourse liabilities of Planet Hollywood do not arise from (i) events, acts, or circumstances that are actually committed by, or voluntarily or willfully brought about by, Caesars Entertainment or (ii) event, acts, or circumstances (regardless of the cause of the same) that provide actual benefit (in cash, cash equivalent, or other quantifiable amount) to Planet Hollywood, to the full extent of the actual benefit received by Planet Hollywood. Pursuant to the Guaranty, Caesars Entertainment is required to maintain a net worth or liquid assets of at least \$100.0 million.

Horseshoe Baltimore Credit and FF&E Facilities

CBAC Borrower, LLC ("CBAC"), an indirect wholly-owned subsidiary of the Maryland Joint Venture, entered into a credit agreement (the "Baltimore Credit Facility") in July 2013 in order to finance the acquisition of land in Baltimore, Maryland and the construction of the Horseshoe Baltimore and a parking garage (collective, the "Baltimore Development"). The Baltimore Credit Facility provides for (i) a \$300.0 million senior secured term facility with a seven-year maturity, which is comprised of a \$225.0 million facility that was funded on July 2, 2013 upon the closing of the Baltimore Credit Facility, a \$37.5 million delayed draw facility available from the closing of the Baltimore Credit Facility until July 2014 and a \$37.5 million delayed draw facility available until January 2015 and (ii) a \$10.0 million senior secured revolving facility with a five-year maturity. The Baltimore Credit Facility is secured by substantially all material assets of CBAC and its wholly-owned domestic subsidiaries.

In connection with the foregoing, Caesars Baltimore Investment Company, LLC ("Caesars Baltimore") and the other joint venture partners each provide, on a several and not joint basis, a completion guarantee with respect to the Baltimore

Development, which guarantees completion of the construction of the Baltimore Development, availability of contemplated working capital and the discharge, bonding or insuring over of certain liens in connection with the Baltimore Development. The maximum liability of Caesars Baltimore under its completion guarantee is approximately \$9.1 million.

The Baltimore Credit Facility contains customary affirmative covenants, subject to certain exceptions, requiring CBAC to, among other things, deliver annual and quarterly financial statements (following the commencement of operations of the Baltimore Development), annual budgets, construction progress reports and other notices, maintain its properties, maintain its books and records, maintain insurance, use commercially reasonable efforts to maintain a public rating for the term loans and comply with laws and material contracts.

The Baltimore Credit Facility contains customary negative covenants, subject to certain exceptions, restricting or limiting the ability of CBAC to, among other things, dispose of its assets and change its business or ownership, consummate mergers or acquisitions, make dividends, stock repurchases and optional redemptions of subordinated debt, incur debt and issue preferred stock, make loans and investments, create liens on its assets and enter into transactions with affiliates. In addition, the Baltimore Credit Facility includes a covenant prohibiting the senior secured leverage ratio from exceeding 7.5 to 1.0 for the first three quarters, 6.0 to 1.0 for the next four quarters and 4.75 to 1.0 for the remainder of the agreement after the commencement of operations of the Baltimore Development.

Concurrently with the closing of the Baltimore Credit Facility, CBAC entered into an equipment financing term loan facility for up to \$30.0 million (the "Baltimore FF&E Facility"). Under the Baltimore FF&E Facility, CBAC may use funds from the facility to finance or reimburse the purchase price and certain related costs of furniture, furnishings and equipment (referred to as "FF&E") to be used in the Baltimore Development. Proceeds of the Baltimore FF&E Facility will also be available to refinance the purchase price of FF&E purchased with other amounts available to CBAC. Draws under the Baltimore FF&E Facility may be made after the closing date and prior to January 2015, provided that a final draw of the unused commitment amount will be deposited into an escrow account pledged to the collateral agent for the Baltimore FF&E Facility at the end of the commitment period, and such funds will be available for subsequent financing of FF&E purchases. CBAC is not permitted to reduce the commitments under the FF&E Facility. The Baltimore FF&E Facility will mature five years and six months after the closing of the facility. No debt has been drawn from the FF&E Facility as of December 31, 2013 .

The Baltimore FF&E Facility has covenants and events of default substantially consistent with the Baltimore Credit Facility, and other restrictive covenants customary for FF&E facilities of this type.

Management believes that CGP LLC is in compliance with the Baltimore Credit Facility and Baltimore FF&E Facility covenants as of December 31, 2013 .

Interest and Fees

The amount outstanding under the Planet Hollywood senior secured loan bears interest at a rate per annum equal to the London Inter-Bank Offered Rate ("LIBOR") plus 2.859%. A subsidiary of CEOC owns interest-only participations in a portion of the PHW Las Vegas, LLC senior secured loan that are entitled to interest at a fixed rate equal to 1.59% per year.

For the Baltimore Credit Facility, borrowings bear interest at a rate equal to the then current adjusted LIBOR or at a rate equal to the alternate base rate, in each case, plus an applicable margin. The adjusted LIBOR is equal to the greater of (i) 1.25% and (ii) the LIBOR in effect for such interest period. In addition, on a quarterly basis, CBAC is required to pay each lender (i) a 0.50% commitment fee in respect any unused commitments under the revolving credit facility, (ii) a 0.125% fronting fee in respect of the aggregate face amount outstanding letters of credit under the revolving credit facility and (iii) a 2.25% commitment fee in respect of unfunded commitments under the delayed draw facility until termination of such commitments.

For the Baltimore FF&E Facility, the loan bears an interest rate at a floating rate per annum equal to the adjusted LIBOR plus 7.5%. The adjusted LIBOR will be determined by the administrative agent and will equal to the greater of (i) the LIBOR in effect for such interest period multiplied by statutory reserves and (ii) 1.25%. As of December 31, 2013 , there were no borrowings under the Baltimore FF&E Facility.

Note 8 — Financial Instruments

Restricted Cash

The total balance in Restricted cash at December 31, 2013 was \$260.4 million , which includes cash restricted under both the Planet Hollywood Amended and Restated Loan Agreement and the Baltimore Credit Facility.

The Planet Hollywood Amended and Restated Loan Agreement requires that Planet Hollywood maintain certain reserves for payment of property taxes, insurance, interest and ongoing furniture, fixtures and equipment purchases or property improvements. Amounts deposited into the specified reserve funds under this agreement represent restricted cash and aggregated \$31.9 million in long-term assets and \$9.1 million in short-term assets at December 31, 2013 . The classification between current

and long-term is dependent upon the intended use of each specific reserve balance.

In connection with amounts borrowed under the Baltimore Credit Facility, construction obligations associated with the Baltimore Development, and the completion guarantee (see Note 7 — Debt) , CGP LLC has recorded \$199.7 million and \$19.6 million , respectively, of long-term and short-term restricted cash at December 31, 2013 .

CIE Convertible Notes

In March 2012, Rock Gaming and CIE entered into an agreement pursuant to which Rock Gaming purchased approximately 6,155 shares of CIE common stock for \$30.4 million in cash and agreed to purchase additional shares of CIE common stock on or before July 2, 2012. CIE used the proceeds from this sale to prepay a portion of the then outstanding balance on an unsecured credit facility with Caesars Entertainment (see Note 18 — Related Party Transactions).

In June 2012, CIE and Rock Gaming modified the agreement with Rock Gaming such that CIE issued to Rock Gaming approximately 382 shares of CIE common stock and a promissory note for \$28.5 million in exchange for \$30.4 million in cash. The promissory note is convertible into approximately 5,773 shares of CIE common stock. In November 2012, CIE issued to Rock Gaming an additional promissory note for \$19.2 million in exchange for \$19.2 million in cash. The additional promissory note is convertible into approximately 3,140 shares of CIE common stock. The ability to convert the promissory notes into shares is subject to the satisfaction of certain specified criteria in June 2014. Both promissory notes are classified as long-term in our Consolidated Balance Sheet at December 31, 2013 .

Derivative Instruments

On December 9, 2011, Planet Hollywood entered into an interest rate cap agreement for a notional amount of \$517.7 million at a LIBOR cap rate of 7.0% which matured on December 9, 2013. On December 9, 2013, Planet Hollywood entered into an interest rate cap agreement for a notional amount of \$501.4 million at a LIBOR cap rate of 7.0% which matures on April 9, 2015. Planet Hollywood did not designate the interest rate cap agreement as a cash flow hedge. Therefore, any change in fair value was recognized in interest expense during the period in which the change in value occurred.

In connection with the Transactions, CGP LLC recorded a liability of \$167.8 million representing the fair value of additional non-voting membership units contingently issuable to Caesars Entertainment during 2016. The contingently issuable non-voting membership units' fair value is based upon a multiple of EBITDA for the calendar year 2015 in excess of a specified minimum threshold and includes a maximum payout threshold. The fair value of the contingently issuable non-voting membership units at December 31, 2013 was \$306.5 million. The change in fair value of \$138.7 million is reported within the CGP LLC Consolidated Statement of Operations.

CGP LLC had no derivatives designated as hedging instruments at December 31, 2013 .

Note 9 — Equity and Non-Controlling Interests

Membership Units

In connection with the Transactions, CAC used the proceeds from the exercise of basic subscription rights to purchase 100% of the voting units of CGP LLC in the form of common shares. Additionally, CGP LLC issued non-voting units in the form of common shares to Caesars Entertainment in exchange for the Contributed Assets. See Note 1 — Description of Business and Summary of Significant Accounting Policies . CGP LLC distributed a total of 135,771,882 shares of voting units and 184,769,554 shares of non-voting units.

In connection with the Transactions, CGP LLC recorded a liability of \$167.8 million representing the fair value of additional non-voting membership units contingently issuable to Caesars Entertainment during 2016. The contingently issuable non-voting membership units' fair value is based upon a multiple of EBITDA for the calendar year 2015 in excess of a specified minimum threshold and includes a maximum payout threshold. The fair value of the contingently issuable non-voting membership units at December 31, 2013 was \$306.5 million.

Call Right

Pursuant to the certificate of incorporation of CAC and the CGP Operating Agreement, after October 21, 2016, Caesars Entertainment and/or its subsidiaries will have the right, which it may assign to any of its affiliates or to any transferee of all non-voting units of CGP LLC held by subsidiaries of Caesars Entertainment, to acquire all or a portion of the voting units of CGP LLC (or, at the election of CAC, shares of CAC's Class A common stock) not otherwise owned by Caesars Entertainment and/or its subsidiaries at such time. The purchase consideration may be, at Caesars Entertainment's option, cash or shares of Caesars Entertainment's common stock valued at market value, net of customary market discount and expenses, provided that the cash portion will not exceed 50% of the total consideration in any exercise of the call right. The purchase price will be the greater of (i) the fair market value of the voting units of CGP LLC (or shares of CAC's Class A common stock) at such time

based on an independent appraisal or (ii) the initial capital contribution in respect of such units plus a 10.5% per annum return on such capital contribution, subject to a maximum return on such capital contribution of 25% per annum, taking into account prior distributions with respect to such units.

The call right may be exercisable in part by Caesars Entertainment (up to three times), but until the call right is exercised in full, any voting units of CGP LLC (or shares of CAC's Class A common stock) acquired by Caesars Entertainment will be converted into non-voting units of CGP LLC (or non-voting shares of CAC's Class B common stock). Additionally, the call right may only be exercised by Caesars Entertainment and/or its subsidiaries if, at the time of such exercise, (w) Caesars Entertainment and CAC enter into a resale registration rights agreement with respect to the shares of Caesars Entertainment common stock used as all or a portion of the purchase consideration in connection with the exercise of the call right, (x) the common stock of Caesars Entertainment (i) is registered with the Securities and Exchange Commission, (ii) is listed for trading and trades on a national securities exchange, and (iii) issuable upon exercise of the call right will represent, in the aggregate, not more than one half of the total Caesars Entertainment's common stock issued and outstanding giving effect to the exercise of the call right, (y) Caesars Entertainment has a minimum liquidity of \$1.0 billion and a maximum net debt leverage ratio of 9.00 to 1.00, and (z) no event of default has occurred and is in effect under any financing agreement of Caesars Entertainment or its subsidiaries. Further, in the event that a stockholder vote of Caesars Entertainment is required in connection with the exercise of such call right, receipt of affirmative approval of such vote will be a condition to the exercise of the call right and at the closing of the Transactions, affiliates of the Sponsors will enter into a voting support agreement in favor of any such stockholder approval. In addition, a majority of the independent directors of the board of directors of Caesars Entertainment must approve the exercise of the call right by Caesars Entertainment and/or its subsidiaries. The call right will be transferable to a transferee that also receives a transfer of all the non-voting units of CGP LLC, and exercisable by the transferee upon the same terms and conditions as apply to Caesars Entertainment and its subsidiaries.

Following October 21, 2018 and until April 21, 2022, our Board will have the right to cause a liquidation of CGP LLC, including the sale or winding up of CGP LLC, or other monetization of all of its assets and the distribution of the proceeds remaining after satisfaction of all liabilities of CGP LLC to the holders of CGP LLC's units according to the waterfall described below. On April 21, 2022 (unless otherwise agreed by Caesars Entertainment and CAC), if our Board has not previously exercised its liquidation right, the CGP Operating Agreement provides that CGP LLC shall, and our Board shall cause CGP LLC to, effect a liquidation.

Upon a liquidation, partial liquidation or sale of material assets, all net cash and other assets not monetizable of CGP LLC shall, subject to applicable gaming regulatory laws, be distributed as follows: (i) first, to all units held by CAC until amounts distributed equal return of CAC's initial capital contribution plus a 10.5% per annum of return on such capital contribution (such return to begin accruing on the proceeds in excess of the purchase price of Planet Hollywood, Horseshoe Baltimore and 50% of the related management fees only upon the investment of such excess proceeds by CGP LLC); (ii) second, to all units held by Caesars Entertainment and/or its subsidiaries until Caesars Entertainment catches up to its respective amount distributed in provision (i) (including the 10.5% per annum of return on the initial capital contribution) and (iii) third, to all holders of units pro-rata.

The structure pursuant to which CGP LLC will effect a liquidating distribution, sale of CGP LLC or other similar transaction that provides liquidity to the holders of CGP LLC's units as described above will be determined by a special-purpose Liquidation Committee that will include representatives from Caesars Entertainment and CAC. In connection with any liquidation of CGP LLC, CAC will have an approval right over any sale or other monetization of assets of CGP LLC that would not exceed the greater of (x) the book value of CGP LLC, and (y) the value of CGP LLC as determined by an appraiser selected by CAC.

Non-controlling interest

The following is a summary of CGP LLC's net loss attributable to non-controlling interests for the period October 22 through December 31, 2013 .

<u>(In millions)</u>	October 22, 2013 Through December 31, 2013	
Net loss attributable to redeemable non-controlling interests	\$	(0.4)
Net loss attributable to non-controlling interests		(4.2)
<i>As presented on the Consolidated Statement of Operations</i>		
Net loss attributable to non-controlling interests	<u>\$</u>	<u>(4.6)</u>

Redeemable Non-controllable interest

As of December 31, 2013 , STRON-MD Limited Partnership holds 4.8% of the Horseshoe Baltimore joint venture. Their non-controlling interest contains an embedded put feature that may cause us, at any time, to purchase all of STRON-MD Limited Partnership's interest in Horseshoe Baltimore either at cost prior to the commencement of the planned casino's operations, or at fair market value after the commencement of operations. This election is at the option of the holder, which is therefore not within the control of the issuer. As such, for accounting purposes, their ownership interest is presented as redeemable non-controlling interest presented outside of permanent equity on the Consolidated Balance Sheet.

The changes in the carrying amount of Redeemable non-controlling interests were as follows (in millions):

Balance as of October 22, 2013	\$	4.3
Net loss attributable to redeemable non-controlling interests		(0.4)
Balance as of December 31, 2013	\$	<u>3.9</u>

Net loss attributable to redeemable non-controlling interests from the Horseshoe Baltimore joint venture for the period from October 22 through December 31, 2013 was recognized in the Consolidated Statement of Operations, but was not recognized in the Consolidated Statement of Equity as it was accounted for as mezzanine equity.

Issuance of Caesars Interactive Common Stock

On March 30, 2012, Caesars Interactive entered into an agreement with an affiliate of Rock Gaming pursuant to which Rock Gaming purchased approximately 6,155 shares of Caesars Interactive's common stock for \$30.4 million in cash. Under this agreement, Rock Gaming had the option to purchase an additional approximately 6,155 shares of Caesars Interactive's common stock for \$30.4 million on or before July 2, 2012. In the event that Rock Gaming did not complete this purchase, they would have been required to pay Caesars Interactive an additional amount of \$10.0 million. This minimum guaranteed payment had been recorded in equity at the date of the original agreement.

On June 29, 2012, Caesars Interactive amended the agreement with Rock Gaming whereby Rock Gaming paid \$30.4 million in cash for an additional approximately 382 shares of Caesars Interactive's common stock and a convertible promissory note, convertible into approximately 5,773 shares of CIE's common stock (see Note 8 — Financial Instruments). The closing of this transaction resulted in the elimination of the \$10.0 million minimum guaranteed payment previously recorded in equity.

Accumulated other comprehensive income

Accumulated other comprehensive income consists of unrealized gain on investments in notes from related party as of December 31, 2013 (see Note 18 — Related Party Transactions), net of taxes. For the period October 22 through December 31, 2013 , there were no amounts reclassified out of Accumulated other comprehensive income.

Note 10 — Income Taxes

CGP LLC is taxed as a partnership for U.S. federal and state income tax purposes whereby any income or losses were allocated to the CGP LLC Members and taxed by each Member. CGP LLC has a corporate subsidiary, CIE, for which federal, state and foreign income taxes were provided.

The components of income/(loss) before income taxes and the related provision for U.S. and other income taxes were as follows:

<u>(In millions)</u>	October 22, 2013 Through December 31, 2013	
Income before Income Taxes		
United States	\$	(147.5)
Outside of the United States		18.0
Total loss before income taxes	<u>\$</u>	<u>(129.5)</u>

<u>(In millions)</u>	October 22, 2013 Through December 31, 2013	
Income Tax Provision		
United States		
Current (Federal)	\$	—
Deferred (Federal)		(2.5)
Outside of the U.S.		
Current	6.0	
Deferred		(0.9)
Total income tax provision	<u>\$</u>	<u>2.6</u>

The differences between the U.S. statutory federal income tax rate and the effective tax rate expressed as a percentage of income before taxes were as follows:

	October 22, 2013 Through December 31, 2013	
Statutory tax rate		35.0 %
Increases/(decreases) in tax resulting from:		
Non-taxable LLC loss	(33.2)	
Deferred taxes provided on foreign retained earnings	(5.9)	
State tax, net of federal benefit	(0.1)	
Foreign income taxed at lower rates than the US	1.0	
Nondeductible lobbying	(0.1)	
Nondeductible stock-based compensation	(3.1)	
Change in federal valuation allowance	4.3	
Other	0.1	
Effective tax rate		<u>(2.0)%</u>

The major components of the Deferred tax assets and liabilities in our consolidated balance sheet were as follows (in millions):

<u>(In millions)</u>	October 22, 2013 Through December 31, 2013
Deferred tax assets	
Compensation programs	\$ 8.4
Research and development costs	3.9
Net operating losses	7.9
Intangible assets	18.8
Deferred revenue	1.7
Other	0.1
Subtotal	40.8
Less: valuation allowance	(1.7)
Total deferred tax assets	<u>39.1</u>
Deferred tax liabilities	
Intangible assets	27.1
Unremitted earnings of foreign subsidiaries	7.8
Prepaid expenses	1.0
Total deferred tax liabilities	<u>35.9</u>
Net deferred tax asset	<u>\$ 3.2</u>

As a result of certain realization requirements of ASC 718, *Compensation – Stock Compensation*, the table of deferred tax assets and liabilities shown above does not include certain deferred tax assets as of December 31, 2013, that arose directly from tax deductions related to stock-based compensation that are greater than the compensation recognized for financial reporting. Equity will be increased by \$0.1 million if and when such deferred tax assets are ultimately realized. CIE uses ASC 740, *Income Taxes*, when determining when excess tax benefits have been realized.

CIE is sufficiently profitable or otherwise has sufficient control over the reversibility of its deferred tax liabilities such that no valuation allowance is necessary against the federal or state deferred tax assets. As of December 31, 2013, CIE had U.S. federal net operating loss ("NOL") carry-forwards of \$17.9 million. These NOLs will begin to expire in 2030. The amount of these NOLs for which the tax benefit will be recorded to Additional paid-in capital when realized is \$0.4 million. As of December 31, 2013, CIE had state NOL carry-forwards of \$0.9 million. These NOLs will begin to expire in 2033.

NOL carry-forwards for CIE's foreign subsidiaries were \$6.4 million as of December 31, 2013. These foreign NOLs are subject to a full valuation allowance as the Company believes these assets do not meet the "more likely than not" criteria for recognition under ASC Topic 740. These foreign NOLs do not expire.

CIE does not provide for deferred taxes on the excess of the financial reporting over the tax basis in its investments in foreign subsidiaries that are essentially permanent in duration. That excess is estimated to total \$83.3 million at December 31, 2013. The additional deferred taxes, including foreign withholding taxes that have not been provided are estimated at \$12.3 million at December 31, 2013. During 2013, after the contribution of CIE to CGP LLC by Caesars Entertainment, management decided to repatriate earnings from its Playtika foreign subsidiary due to changes in CIE's access to capital. As such, CIE recorded a deferred tax liability of \$7.8 million which represents the additional deferred taxes, including foreign withholding taxes, which would be payable by CIE upon repatriation of Playtika's retained earnings as of December 31, 2013.

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefits is as follows:

<u>(In millions)</u>	October 22, 2013 Through December 31, 2013
Balance at October 22, 2013	\$ 0.2
Additions on tax positions of prior years	—
Balance at December 31, 2013	<u>0.2</u>

CIE classifies reserves for tax uncertainties within Accrued expenses and Deferred credits and other in its Consolidated Balance Sheet, separate from any related income tax payable or deferred income taxes. Reserve amounts relate to any potential income tax liabilities resulting from uncertain tax positions as well as potential interest or penalties associated with those liabilities.

CIE recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. CIE did not accrue any material interest and penalties for the period October 22 through December 31, 2013 related to uncertain tax positions. Included in the balance of unrecognized tax benefits at December 31, 2013 are approximately \$0.2 million of unrecognized tax benefits that, if recognized, would impact the effective tax rate.

CIE files income tax returns, including returns for its subsidiaries, with federal, state and foreign jurisdictions. CIE is under regular and recurring audit by the Internal Revenue Service on open tax positions, and it is possible that the amount of the liability for unrecognized tax benefits could change during the next twelve months. The tax years that remain open for examination for CIE's major jurisdictions are 2010 through 2013 for the U.S. and Canada and 2011 through 2013 for Israel.

CIE believes that it is reasonably possible that the unrecognized tax benefits will not increase or decrease significantly within the next twelve months. Audit outcomes and the timing of audit settlements are subject to significant uncertainty. Although CIE believes that adequate provision has been made for such issues, there is the possibility that the ultimate resolution of such issues could have an adverse effect on our earnings. Conversely, if these issues are resolved favorably in the future, the related provision would be reduced, thus having favorable impact on earnings.

Note 11 — Fair Value Measurements

The fair value hierarchy defines fair value as an exit price, representing the amount that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based upon assumptions that market participants would use in pricing an asset or liability. The fair value hierarchy establishes three tiers, which prioritize the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The following table represents the fair value of CGP LLC's assets and liabilities that are required to be measured at fair value:

<u>(In millions)</u>	<u>December 31, 2013</u>	Fair Value Measurements at Reporting Date Using					
		<u>Total</u>	Quoted Prices in Active Markets for Identical Financial Instruments	Significant Other Observable Inputs	Significant Unobservable Inputs		
			<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>		
Assets:							
Investments in notes from related party							
		\$ 931.6	\$ —	\$ 931.6	\$ —		
Liabilities:							
Contingent consideration related to acquisitions							
		62.0	—	—	62.0		
Contingently issuable non-voting membership units							
		306.5	—	—	306.5		

<u>(In millions)</u>	Fair Value Measurements Using Significant Unobservable Inputs		
	<u>Contingently Issuable Non-Voting Membership Units</u>	<u>Contingent Consideration</u>	
		<u>Level 3</u>	<u>Level 3</u>
Balance at October 22, 2013			
	\$ 167.8	\$ 59.1	
Change in fair value			
	138.7	2.9	
Balance at December 31, 2013			
	\$ 306.5	\$ 62.0	

The following section describes the valuation methodologies used to measure fair value including key inputs and significant assumptions for assets and liabilities that are required to be measured at fair value, plus other fair value considerations.

Investments in notes from related party

CGP LLC's investments in notes from related party consist solely of senior notes previously issued by CEOC which were acquired by Caesars Entertainment in transactions unrelated to the Transactions. All investments in notes from related party are classified as available for sale and are recorded as non-current assets. As these notes are not actively traded in open-market transactions, the fair value of these notes has been determined based upon quoted prices of similar, but not identical, notes in active markets. These inputs constitute Level 2 inputs. These traded prices may not factor in other discounts, such as discounts for block trades or lack of marketability, which could yield different estimates of fair value if such discounts were considered.

Contingent consideration related to acquisitions

As part of the preliminary purchase price allocation related to its acquisition of Buffalo Studios in December 2012, CGP LLC recorded \$5.6 million in contingent consideration, which is remeasured at fair value until settlement under ASC 805, *Business Combinations*. This contingent consideration is payable in 2014, based upon a multiple of EBITDA for the calendar year 2013 in excess of a specified minimum threshold (generally referred to as an "earn-out" payment). This liability falls into Level 3 within the fair value hierarchy and was adjusted to its estimated fair value of \$58.5 million as of December 31, 2013. The change of \$52.9 million in the estimated value of the contingent consideration between the time the initial estimate was finalized and December 31, 2013 is recorded in the Change in fair value of contingent consideration line of the Consolidated Statement of Operations. A probability approach considering the various estimated calendar 2013 EBITDA levels and related likelihood of achieving those levels, resulting in different values for the earn-out payment was applied in estimating the fair value of this earn-out liability.

CGP LLC may have to pay additional consideration associated with its acquisitions of the World Series of Poker ("WSOP") mobile poker game contingent upon meeting or exceeding of specified performance criteria.

At December 31, 2013, the aggregate fair market value of contingent consideration related to the acquisition of Buffalo Studios, WSOP mobile poker game, Sharksmile and Clickwall totaled \$62.0 million.

Contingently issuable non-voting membership units

Pursuant to the terms of the Transactions, CGP LLC is obligated to issue additional non-voting membership units to Caesars Entertainment to the extent that the earnings from CIE's social and mobile games business exceeds a specified threshold amount in 2015. Upon consummation of the Transactions, CGP LLC recorded an initial liability of \$167.8 million representing the fair value of additional non-voting membership units contingently issuable to Caesars Entertainment during 2016 in accordance with these terms. The number of units to be issued is capped at a value of \$225 million divided by the value of the non-voting units at the date of the Transactions. This instrument is considered a derivative instrument (See Note 8 — Financial Instruments). Therefore, the balance of this liability is adjusted to reflect the expected number of non-voting units to be issued at the current estimated fair value of those units at each reporting date. Both the estimate of the number of units to be issued and the estimated fair value of non-voting units at the reporting date fall into Level 3 within the fair value hierarchy. The change in value between reporting dates is reported within the CGP LLC Consolidated Statement of Operations.

Other fair value considerations

CGP LLC's assessment of goodwill and other intangible assets for impairment includes an assessment using various Level 2 (earnings before interest income/expense, income taxes, depreciation and amortization ("EBITDA") multiples and discount rate) and Level 3 (forecasted cash flows) inputs. CGP LLC's determination of stock-based compensation includes the valuation of CIE's common stock and the related options and warrants using various Level 2 and Level 3 inputs.

Entities are permitted to choose to measure certain financial instruments and other items at fair value. CGP LLC has not elected the fair value measurement option for any of its assets or liabilities that meet the criteria for this option.

The fair value of CGP LLC's long-term debt bears interest based upon variable market interest rates. The fair value of such debt approximates its face value as of December 31, 2013.

Note 12 — Litigation, Contractual Commitments and Contingent Liabilities

Litigation

From time to time, CAC, Predecessor Growth Partners, or CGP LLC may be subject to legal proceedings and claims in the ordinary course of business.

Multiple lawsuits have been filed against CBAC Gaming, LLC ("CBAC"), the City of Baltimore, the MDE and other parties in relation to the proposed location and the development of Horseshoe Baltimore. These cases allege violations of various environmental laws, violations of zoning laws and public nuisance, among other claims. Although CAC, Predecessor Growth Partners and CGP LLC believe that they have adequate defenses to these claims, an adverse judgment could result in additional costs, delays in construction, or injunctions.

In November 2012, the MDE granted approval of the Maryland Joint Venture's amended RAP under MDE's Voluntary Cleanup Program that named the Maryland Joint Venture, rather than the City of Baltimore, as the party that will implement the RAP and redevelop the proposed location of Horseshoe Baltimore. On February 20, 2013, a group of local residents working with the non-profit Inner Harbor Stewardship Foundation (the "Foundation") filed a complaint in the Maryland Circuit Court challenging the legality of the MDE's approval of the amended RAP. In the case, known as Ruth Sherrill, et al. v. State of Maryland Department of the Environment, et al., the Plaintiffs claimed that the amended RAP was approved without complying with the public notice and participation requirements of Maryland law. The plaintiffs sought additional public notice and participation, and to obtain an injunction on, among other things, any construction activities at the site pending the resolution of the case. On March 14, 2013, the court denied the plaintiffs' motion for a Temporary Restraining Order and Preliminary Injunction ("TRO"). The plaintiffs' appeal of the TRO ruling was dismissed. On April 22, 2013, the plaintiffs filed an amended complaint adding a public nuisance claim to their original complaint. The Maryland Joint Venture filed a motion to dismiss the plaintiffs' amended complaint and a hearing was held on the motion on June 14, 2013. The amended complaint was dismissed on November 6, 2013. The plaintiffs filed a notice of appeal on December 6, 2013 and oral arguments are scheduled for September 2014.

The plaintiffs issued a notice of intent to file a citizen suit under 42 U.S.C. §§ 6972(a)(1)(A) and (a)(1)(B) of the Resource Conservation and Recovery Act. This notice of intent indicated an intention to sue CBAC, the City of Baltimore, Whiting-Turner, the general contractor for the construction of the Horseshoe Casino, and the Maryland Chemical Company, the former owner and operator of the site. The citizen suit was filed on September 19, 2013, but did not name Whiting-Turner. The defendants filed motions to dismiss on October 15, 2013 for lack of subject matter jurisdiction and failure to state a claim to which plaintiffs responded on November 1, 2013. No hearing has been set on the motions to dismiss.

The decision of the Board of Municipal Zoning Appeals to grant variances for the site for Horseshoe Baltimore was appealed by separate parties on the basis of alleged procedural irregularities. The appeals were dismissed for lack of standing on October 11, 2013 and no appeal of that decision was timely filed.

On August 1, 2013, ten individuals claiming to represent a class of similarly situated individuals filed a complaint in the U.S. District Court for the Northern District of Maryland against the Maryland Department of the Environment, the City of Baltimore, the U.S. Environmental Protection Agency, CBAC Gaming, LLC, Whiting-Turner Contracting Company and Urban Green Environmental, LLC. The 11 count complaint alleged that the RAP for the proposed location of Horseshoe Baltimore is inadequate and approved without appropriate public participation. Plaintiffs seek declaratory and injunctive relief, compensatory and punitive damages, and claim violations of civil rights laws and the Clean Water Act, civil conspiracy, and a variety of torts. The plaintiffs also sought a temporary restraining order, which the District Court denied on August 9, 2013. Plaintiffs amended their complaint on November 15, 2013 and again on December 26, 2013, adding 44 new plaintiffs and naming MDE, the Secretary of MDE, the City of Baltimore, the Mayor of the City of Baltimore, the Baltimore Development Corporation, and CBAC Gaming and CBAC Borrower as defendants. The defendants filed motions to dismiss on January 27, 2014 and plaintiffs filed their oppositions on February 28, 2014.

From time to time, the City of Baltimore may be subject to legal proceedings asserting claims related to the site. At this time, CAC, Predecessor Growth Partners and CGP LLC have not been named as parties to these proceedings. However, an unfavorable outcome for the City of Baltimore could lead to construction delays if it were determined that corrective action was required and could not be implemented successfully offsite.

Four residents of Baltimore City and County issued a notice of intent to file a citizen suit under 33 U.S.C. § 1365(b) of the Clean Water Act against the City of Baltimore as owner of the site for water pollution alleged to originate there. A lawsuit was filed on behalf of two of the residents on July 2, 2013. The City of Baltimore moved to dismiss the complaint on August 28, 2013. One of the plaintiffs withdrew from the case on October 10, 2013. The U.S. District Court for the District of Maryland dismissed the case without prejudice on January 7, 2014 for lack of standing.

Two residents of Baltimore City filed suit on May 20, 2013 against the City of Baltimore, as owner of the site, alleging that the City of Baltimore was in violation of Maryland water pollution laws as a result of groundwater contamination alleged to be migrating from the site. The City of Baltimore was served with the complaint on June 12, 2013. An amended complaint was filed on July 19, 2013, which the City of Baltimore moved to dismiss on August 6, 2013. Plaintiffs dismissed the complaint without prejudice on September 12, 2013.

Playtika Employment Agreements

In December 2011, a subsidiary of Caesars Interactive entered into employment agreements with certain selling shareholders of Playtika who had been managing Playtika both prior and subsequent to CIE's May 2011 acquisition. Under these employment agreements, a subsidiary of Caesars Interactive agreed to pay \$4.0 million in success bonuses; \$2.0 million to each of two employees in the event that each employee is still employed 29 months from the commitment date of the employment agreement. If the employee's employment is terminated without cause or terminated by the employee for good reason prior to the completion of the required 29 months of service, but after completion of service through July 1, 2013, each of the employees is entitled to receive 40% of this success bonus.

In addition, Caesars Interactive has remaining success bonuses payable to certain other Playtika employees of \$1.1 million payable during the year ended December 31, 2014. These success bonuses are dependent upon the receiving individuals still being employed on the dates that such bonuses become payable. Success bonuses are included in Accrued expenses in the Consolidated Balance Sheet with a charge to compensation expense over the required service period.

In June 2013, CGP LLC recognized compensation expense in connection with the resignation of a Playtika senior management member. This expense is included in Property, general, administrative and other in the Consolidated Statement of Operations.

Planet Hollywood Energy Services Agreement

Planet Hollywood's predecessor entered into an Energy Services Agreement ("ESA") with Northwind Aladdin, LLC ("Northwind") on September 24, 1998, subject to five subsequent amendments. Under the terms of the amended ESA, Northwind is required to provide chilled water, hot water and emergency power to Planet Hollywood from a central utility plant for a term that expires February 29, 2020. Planet Hollywood recorded expenses of \$0.6 million during the period October 22 through December 31, 2013, which is included in Property, general, administrative and other expenses in the accompanying Consolidated Statement of Operations. As of December 31, 2013, Planet Hollywood had future minimum commitments and contingencies of \$11.4 million related to the ESA.

Planet Hollywood Self-Insurance

Planet Hollywood was self-insured by Caesars Entertainment and its subsidiaries up to certain limits for costs associated with general liability, workers' compensation and employee health coverage through June 2013. See Note 18 — Related Party Transactions for additional information.

Planet Hollywood Participation and Servicing Agreement

In 2009, the predecessor of Planet Hollywood entered into an agreement to purchase a participation interest in certain mortgaged properties. Under the terms of this agreement, Planet Hollywood is required to pay the counterparty \$5.6 million at the earlier of October 5, 2015, or on March 31 subsequent to the first year that such mortgaged properties generate a positive net cash flow in excess of a pre-determined minimum amount. The mortgaged properties have not and are not expected to generate a positive net cash flow in excess of this pre-determined minimum amount within the next calendar year, and the associated liability has been included in Deferred credits and other within the Consolidated Balance Sheet.

Entertainment Commitments

In July 2013, Planet Hollywood terminated its lease with a third-party in order to retake possession of the larger performance theater space in Planet Hollywood, recently rebranded as The AXIS Powered by Monster at Planet Hollywood Resort & Casino. In connection with that transaction, Planet Hollywood has refurbished the theater and entered into a two-year performance agreement with Britney Spears pursuant to which Ms. Spears has agreed to perform a total of 96 shows at the refurbished The AXIS Powered by Monster at Planet Hollywood Resort & Casino. The performance agreement with Ms. Spears contains customary representations, warranties, covenants and agreements and exclusivity and non-compete provisions for similar transactions. Aggregate commitments under the lease termination agreement, amounts committed to refurbishing the theater and commitments under the performance agreement aggregate approximately \$36.2 million through December 31, 2015.

Contingent Consideration and Contingently Issuable Non-Voting Membership Units

CGP LLC expects it will have to pay additional consideration associated with its acquisitions and the Transactions as further discussed in Note 11 — Fair Value Measurements .

Note 13 — Leases

CGP LLC leases both real estate and equipment used in its operations and classifies those leases as either operating or capital leases for accounting purposes. As of December 31, 2013, CGP LLC had no material capital leases and the remaining lives of its operating leases ranged from one to 84 years with various automatic extensions.

A subsidiary of Caesars Baltimore Investment Company, LLC entered into a ground lease agreement with the City of Baltimore in relation to its casino construction project in Baltimore in October 2012. The subsidiary took possession and started the lease term in July 2013. The total minimum lease payments relating to the aforementioned lease are \$197.3 million and have been reflected in the operating lease table below.

Rental expense associated with operating leases is charged to expense in the year incurred. Rental expense for operating leases and other month-to-month cancellable leases are included in Operating expenses in the Consolidated Statement of Operations and amounted to \$5.1 million for the period October 22 through December 31, 2013.

As of December 31, 2013, CGP LLC's future minimum rental commitments under its non-cancellable operating leases are as follows:

(In millions)

Year	Non-cancellable operating leases
2014	\$ 9.4
2015	16.4
2016	18.2
2017	19.9
2018	21.2
Thereafter	546.7
Total minimum rent commitments	<u><u>\$ 631.8</u></u>

Note 14 — Supplemental Cash Flow Information

The increase/(decrease) in cash and cash equivalents due to the changes in working capital accounts were as follows:

(In millions)

	October 22, 2013 Through December 31, 2013
Payable to related parties	\$ 18.5
Accrued expenses	14.0
Accounts payable	(15.9)
Prepayments and other current assets	(2.8)
Foreign tax payable	1.4
Receivables	(5.3)
Interest receivable from related party	9.8
Net change in working capital accounts	<u><u>\$ 19.7</u></u>

The following table reconciles Interest expense, net of interest capitalized, per the Consolidated Statement of Operations, to cash paid for interest:

(In millions)

	October 22, 2013 Through December 31, 2013
Interest expense, net of interest capitalized	\$ 11.9
Adjustments to reconcile to cash paid for interest:	
Net change in accruals	(5.3)
Net amortization of debt discounts	(4.7)
Net amortization of deferred financing costs	(0.1)
Change in fair value of derivatives	(0.1)
Capitalized interest	1.3
Cash paid for interest	<u><u>\$ 3.0</u></u>
Cash payments for income taxes, net	<u><u>\$ 5.0</u></u>

Non-cash financing activities include the issuance of non-voting shares to Caesars Entertainment in connection with the contribution of assets to CGP LLC by Caesars Entertainment. On October 21, 2013, the aggregate fair market value of the subscription rights issued by Caesars Entertainment in the Transactions was restored to Caesars Entertainment through a return of senior notes previously issued by CEOC from CGP LLC. The amount of the restoration was approximately \$21.1 million . See Note 1 — Description of Business and Summary of Significant Accounting Policies .

Additionally, \$34.8 million of purchases classified as Land, property and equipment, net in the Consolidated Balance Sheet had corresponding liabilities in Accounts Payable as of December 31, 2013.

Note 15 — Stock-Based Compensation and Employee Benefit Plans

A number of employee benefit programs are established for purposes of attracting, retaining and motivating employees. The following is a description of the basic components of these programs as of December 31, 2013 .

Stock-Based Compensation Plans

Caesars Entertainment grants stock-based compensation awards in Caesars Entertainment common stock to certain employees that work for the management companies of Planet Hollywood and Horseshoe Baltimore under the Caesars 2012 Performance Incentive Plan. Caesars Entertainment's allocated expense associated with Planet Hollywood or Horseshoe Baltimore executives' stock-based awards for the period October 22 through December 31, 2013 as it was not considered material to the consolidated financial statements.

Caesars Interactive grants stock-based compensation awards in Caesars Interactive common stock to its employees and service providers in accordance with the Plan, which is intended to promote the interests of Caesars Interactive and its shareholders by providing key employees, directors, service providers and consultants with an incentive to encourage their continued employment or service and improve the growth and profitability of Caesars Interactive.

The following is a description of the components of these programs under the Plan as of December 31, 2013 :

Valuation of Caesars Interactive Common Stock

Caesars Interactive determines the value of its common stock in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation (the "Practice Aid"). The valuations of CIE's common stock were performed retrospectively by an internal valuation specialist for valuation dates of March 31, 2012 and earlier. The valuations of CIE's common stock were performed contemporaneously by this same internal valuation specialist for the valuation dates between March 31, 2012 and June 30, 2012. Valuations subsequent to June 30, 2012 were determined with the assistance of a third-party valuation firm.

In performing these valuations, the valuation specialists considered the appropriate valuation methodology to use based on the stage of development of CIE at each valuation date, in accordance with the Practice Aid. The valuation specialists considered a number of significant valuation events including, but not limited to, voluntary redemptions of shares by management shareholders electing to redeem such shares, exercises of options by third-part investors to purchase shares of common stock, recent initial public offerings in the social and mobile gaming segment, independent third-party valuations of the WSOP trade name and exclusive rights to host the WSOP tournaments and recent acquisitions.

Stock options and warrants

Time-based stock options have been granted to Caesars Interactive employees and non-employees, and time-based warrants have been granted to non-employees. Historically, both the options and warrants were generally subject to a five-year vesting period; vesting 20% per year on each anniversary of its effective date, until 100% of the options or warrants are fully vested and exercisable. Vesting is subject to the participant's continued employment or service for non-employees, through the applicable vesting date.

On September 30, 2013 and October 10, 2013, certain key Caesars Interactive employees and non-employees were granted time-based stock options which vest ratably over a period of either five or seven years.

Certain Caesars Interactive employees have been granted Caesars Interactive stock options, with vesting conditions associated with the legalization and implementation of online gaming in the U.S. These stock options and warrants vest based on conditions other than market, performance or service conditions and therefore have been recorded as liability-classified instruments and are measured at their fair value at each reporting date for accounting purposes. CGP LLC is recognizing the stock compensation expense associated with these awards over the 10-year contractual life of each of the awards.

All warrants to Caesars Interactive non-employees and the majority of the stock options to employees and non-employees contain a call option, at a fixed amount, which is exercisable by Caesars Interactive. Since the embedded call feature is at a fixed price, the call feature could potentially result in a repurchase amount that is less than the fair value of the underlying

shares. Therefore, these options and warrants are liability-classified instruments and are measured at fair value at each reporting date for accounting purposes. Options without this call provision are equity-classified instruments and are measured at their fair value at the date of grant for accounting purposes. All unexercised options and warrants expire on the tenth anniversary of the grant date.

As of December 31, 2013, Caesars Interactive had 9,017 shares available for awards under the Plan. The Plan was amended and restated during the third quarter of 2013 to, among other things, increase the shares available under the Plan. The following is a summary of Caesars Interactive's stock option and warrant activity for the period October 22 through December 31, 2013:

	Shares	Weighted Average Exercise Price	Fair Value ⁽¹⁾	Weighted Average Remaining Contractual Term (years)
Outstanding at October 22, 2013	<u>17,111</u>	\$ 3,202.61	\$ 1,129.67	7.5
Granted (employee time-based stock options)	—	\$ —	\$ —	—
Exercised (employee time-based stock options)	—	\$ —	\$ —	—
Canceled (employee time-based stock options)	(96)	\$ 4,643.92	\$ 1,989.70	—
Outstanding at December 31, 2013	<u>17,015</u>	\$ 3,194.48	\$ 1,124.81	7.3
Vested and expected to vest at December 31, 2013	<u>15,013</u>	\$ 3,171.46	\$ 1,110.86	7.3
Exercisable at December 31, 2013	<u>7,832</u>	\$ 1,685.27	\$ 178.19	5.8

⁽¹⁾ Represents the average grant date fair value per option, using a Monte Carlo simulation model.

When information is available, Caesars Interactive uses historical stock option and warrant holder behavioral data to estimate the option or warrant exercise and termination rates used in the option-pricing model. As CIE does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term, it was calculated through the Monte Carlo model assuming that the options and warrants will be disposed of either post-vesting but prior to a liquidity event, at the date of a liquidity event or after a liquidity event. Expected volatility was based on the historical volatility of the common stock of CIE's competitor peer group for a period approximating the expected life. Caesars Interactive has no current intention to pay dividends on its common stock. The risk-free interest rate within the expected term was based on the U.S. Treasury yield curve in effect at the time of grant. Valuation assumptions for Caesars Interactive's stock options and warrants for the indicated periods are presented below:

	October 22, 2013 Through December 31, 2013
Expected range of volatility	49.7 - 58.6%
Expected dividend yield	—%
Expected range of term (in years)	2.3 - 7.3
Risk-free interest rate range	0.6 - 2.5%

As of December 31, 2013, there was approximately \$30.7 million of total unrecognized compensation expense related to Caesar Interactive's stock options to employees and \$1.1 million of total unrecognized compensation expense related to warrants to non-employees. As of December 31, 2013, this cost is expected to be recognized over a remaining average period of 3.2 years.

For the period October 22 through December 31, 2013, the compensation cost that has been charged against earnings for stock options and warrants was approximately \$16.6 million, which was included in Property, general, administrative and other in the Consolidated Statement of Operations. As of December 31, 2013, there was \$39.7 million recognized in Deferred credits and other in the Consolidated Balance Sheet related to liability-classified stock options and warrants.

Restricted Shares and Restricted Stock Units

Certain key employees of a subsidiary of Caesars Interactive have been granted restricted shares, which vest on the third anniversary of grant as long as the employee remains employed through this anniversary date. Prior to July 25, 2012, certain of the restricted shares contained a call option, at a fixed amount, which was exercisable by Caesars Interactive. Therefore, these restricted shares were liability-classified instruments and were measured at fair value at each reporting date for accounting purposes. This call option was removed from the restricted shares on July 25, 2012 at which time the shares were reclassified to equity classified awards. There was no incremental cost associated with this modification as the modification did not alter the fair value of the underlying award. The liability recognized in the Consolidated Balance Sheet was reclassified to Additional paid-in capital on the modification date. Restricted shares without this call provision are equity-classified instruments and are measured at their fair value at the date of grant for accounting purposes.

On September 30, 2013 and October 10, 2013 certain key Caesars Interactive employees were granted restricted stock units ("RSUs"), which are subject to either a five -year or seven -year vesting period. For RSU awards subject to a seven-year vesting period, 25% of the award vests ratably over four years, 25% vests ratably over five years, 25% vests ratably over six years and 25% vests ratably over seven years. The remaining RSUs granted on September 30, 2013 and October 10, 2013 are subject to a five -year vesting period such that 20% of the awards vest in each year starting with and subsequent to the first anniversary of the grant date. Restricted shares and RSUs are equity-classified instruments and are measured at their fair value at the date of grant for accounting purposes.

On June 2, 2013, CGP LLC entered into a binding letter agreement for the separation of employment of a senior management team member of a subsidiary of Caesars Interactive. Under this memorandum of understanding, this individual has agreed to forfeit his unvested options and exercise his vested options, and CGP LLC has agreed to purchase from this individual, at an agreed upon price, the shares he acquires pursuant to the exercise of his options, plus previously owned Management Shares and restricted shares, subject to the execution of a final definitive agreement.

The following is a summary of Caesars Interactive's RSU and restricted shares activity for the period October 22 through December 31, 2013 :

	Shares	Fair Value	Weighted Average Remaining Contractual Term (years)
Outstanding (non-vested) at October 22, 2013	8,066	\$ 3,867.79	4.5
Granted (RSUs)	—	\$ —	—
Canceled (RSUs)	(75)	\$ 5,470.00	4.8
Outstanding (non-vested) at December 31, 2013	<u>7,991</u>	<u>\$ 3,852.75</u>	4.3

As of December 31, 2013 , there was approximately \$28.5 million of total unrecognized compensation cost related to RSUs and restricted shares, which is expected to be recognized over a remaining period of 4.1 years.

For the period October 22 through December 31, 2013 , total compensation expense that was recorded in earnings for RSUs and restricted shares was approximately \$1.2 million. This expense is included in Property, general, administrative and other in the Consolidated Statement of Operations.

Management Shares

In October 2011, certain key Caesars Interactive employees purchased common stock of Caesars Interactive Entertainment ("Management Shares"). Management Shares are equity-classified instruments for accounting purposes.

In January 2013, CIE offered to purchase a portion of the Management Shares owned by certain members of CIE management at a price of \$5,221 per share. Aggregate consideration paid by Caesars Interactive for all shares purchased in the transaction amounted to \$2.7 million.

In July 2013, CIE offered to purchase a portion of the Management Shares owned by certain members of CIE management at a price of \$5,446.49 per share. Aggregate consideration paid by Caesars Interactive for all shares purchased in the transaction amounted to \$7.2 million.

Employee Benefits Plans

Caesars Entertainment maintains a defined contribution savings and retirement plan in which employees of both CIE and the management companies of Planet Hollywood and Horseshoe Baltimore may participate. The plan, among other things, provides for pretax and after-tax contributions by employees. Under the plan, participating employees may elect to contribute up to 50% of their eligible earnings, provided that participants who are designated as highly compensated will have their contributions limited to ensure the plan does not discriminate in their favor. In April 2012, Caesars Entertainment reinstated a limited employer match. CGP LLC's reimbursement for Caesars Entertainment's contribution expense for the period October 22 through December 31, 2013 was immaterial to the CGP LLC consolidated financial statements.

Caesars Entertainment also maintains deferred compensation plans, stock-option plans and an executive supplemental savings plan under which certain employees of the management company of Planet Hollywood's management and the Maryland Joint Venture may defer a portion of their compensation. The expenses charged by Caesars Entertainment to Planet Hollywood for employees' participation in these programs are included in Property, general, administrative and other in the Consolidated Statement of Operations.

Certain employees of Caesars Entertainment are covered by union sponsored, collectively bargained, health and welfare multiemployer benefit plans. Planet Hollywood's reimbursement for Caesars Entertainment's contributions and charges for these plans were \$2.0 million for the period October 22 through December 31, 2013 . These expenses are included in Property, general,

administrative and other in the Consolidated Statement of Operations.

Note 16 — Property, General, Administrative and Other

Property, general, administrative and other expense consisted of the following:

<u>(In millions)</u>	<u>October 22, 2013 Through December 31, 2013</u>
Stock-based compensation	\$ 17.8
Advertising	16.3
Payroll costs	9.3
Research and development	7.8
Rental expense	4.3
License, franchise tax and other	3.3
Management fee	2.2
Corporate allocations	2.1
Utilities	1.7
Professional services	1.7
Other	<u>26.0</u>
	<u>\$ 92.5</u>

Note 17 — Segments

For financial reporting purposes, CGP LLC has two reportable segments: (1) Interactive Entertainment; and (2) Casino Properties and Developments. The Interactive Entertainment segment consists of social and mobile games that are played on various global social and mobile third-party platforms, licensing of the WSOP trade name to third parties for use in social and mobile games and online real money gaming, and the licensing of the WSOP trade name, television rights and sponsorship for WSOP live tournaments. The Interactive Entertainment segment also includes use of the WSOP and Caesars brands for regulated online real money gaming in Nevada, New Jersey and the United Kingdom. The Casino Properties and Developments segment consists of CGP LLC's interests in a certain joint venture in a gaming facility in Baltimore, Maryland, and the Planet Hollywood business, which consists of hotel, related food, beverage, entertainment and parking amenities as well as gaming facility operations. Amounts not aggregated with either the Interactive Entertainment reportable segment or the Casino Properties and Development segment relate to the Investments in notes from related party and related tax impacts, and are reported separately in the Other column in the tables below.

Revenue attributed to the reportable segments is as follows:

<u>(In millions)</u>	<u>October 22, 2013 Through December 31, 2013</u>
<i>Interactive Entertainment</i>	
Social and mobile games	\$ 70.4
WSOP and online real money gaming	<u>3.6</u>
	<u>74.0</u>
<i>Casino Properties and Developments</i>	
Casino	37.1
Food and beverage	16.3
Rooms	17.5
Other	8.1
Less: casino promotional allowances	<u>(11.3)</u>
	<u>67.7</u>
Net revenues	<u>\$ 141.7</u>

Total assets were not included in the segment information above as the segment level balance sheet information is not reviewed by CGP LLC's chief operating decision maker.

The following Segment earnings before interest income/expense, income taxes, depreciation and amortization ("EBITDA") information is presented based on the reporting segments:

<u>(In millions)</u>	October 22, 2013 through December 31, 2013				
	Interactive Entertainment	Casino Properties and Developments	Other	Total	
(Loss)/income from operations	\$ (6.1)	\$ 9.0	\$ (155.4)	\$ (152.5)	
Depreciation and amortization	3.6	5.2	—	—	8.8
Loss on extinguishment of debt	—	(0.9)	—	—	(0.9)
Segment EBITDA	(2.5)	13.3	(155.4)	(155.4)	(144.6)
Depreciation and amortization	(3.6)	(5.2)	—	—	(8.8)
Interest expense, net of interest capitalized	(0.5)	(11.4)	—	—	(11.9)
Interest income-related party	—	—	35.8	35.8	35.8
Provision for income taxes	(2.6)	—	—	—	(2.6)
Net loss	\$ (9.2)	\$ (3.3)	\$ (119.6)	\$ (132.1)	

The following geographical segment information is presented based on the geographical region of each subsidiary's country of domicile:

<u>(In millions)</u>	October 22, 2013 Through December 31, 2013	
	United States	Israel
Revenues		
United States	\$ 89.6	
Israel		52.1
Net revenues	\$ 141.7	
<u>(In millions)</u>	December 31, 2013	
	United States	Israel
Land, property and equipment, net		
United States	\$ 511.9	
Israel		4.1
Total land, property and equipment, net	\$ 516.0	

Note 18 — Related Party Transactions

WSOP Trade Name

In 2009, Caesars Interactive acquired the WSOP trademarks and associated rights from CEOC for \$15.0 million. At the same time, Caesars Interactive entered into a Trademark License Agreement with CEOC, pursuant to which CEOC acquired an exclusive, perpetual, royalty-free license to use the WSOP trademarks in connection with hosting the WSOP tournaments, operating WSOP branded poker rooms and selling certain WSOP branded retail items. This agreement remains in effect indefinitely, unless earlier terminated pursuant to the agreement's terms.

In 2011, Caesars Interactive entered into a series of transactions pursuant to which Caesars Interactive effectively repurchased the exclusive rights to host the WSOP tournaments from CEOC for \$20.5 million. The 2009 Trademark License Agreement remains in effect with respect to WSOP branded poker rooms and retail items, but the rights to host WSOP tournaments are owned by Caesars Interactive. As part of the 2011 transactions, Caesars Interactive entered into a Trademark License Agreement with CEOC pursuant to which Caesars Interactive granted CEOC the right to host the WSOP tournaments at the Rio Hotel in Las Vegas or at such other property agreed to by the parties, in exchange for a \$2.0 million per year fee. Simultaneously, Caesars Interactive entered into a Circuit Event Agreement with CEOC pursuant to which Caesars Interactive granted CEOC the right to host a certain number of WSOP circuit events at various properties of CEOC for a price of \$75,000 per event. Both agreements are in effect until September 1, 2016, unless earlier terminated pursuant to the agreements' respective terms. Revenues under this agreement associated with the WSOP circuit events amounted to \$0.5 million for the period October 22 through December 31, 2013.

Cross Marketing and Trademark License Agreement

In 2011, Caesars Interactive entered into a Cross Marketing and Trademark License Agreement with Caesars World, Inc., Caesars License Company, LLC, Caesars Entertainment and CEOC. In addition to granting Caesars Interactive the exclusive rights to use various brands of Caesars Entertainment in connection with social and mobile games and online real money gaming in exchange for a 3% royalty, this agreement also provides that CEOC will provide certain marketing and promotional activities for Caesars Interactive, including participation in Caesars Entertainment's Total Rewards loyalty program, and Caesars Interactive will provide certain marketing and promotional activities for Caesars Entertainment and CEOC. The agreement also provides for certain revenue share arrangements where Caesars Interactive pays CEOC for customer referrals. This agreement is in effect until December 31, 2026, unless earlier terminated pursuant to the agreement's terms. For the period October 22 through December 31, 2013 , Caesars Interactive paid \$0.2 million, pursuant to the terms of the Cross Marketing and Trademark License Agreement.

Allocated general corporate expenses

Upon the October 21, 2013 closing of the Transactions, CGP LLC entered into a management services agreement with CEOC pursuant to which CEOC and its subsidiaries provide certain services to CGP LLC. The agreements, among other things:

- provides that CEOC and its subsidiaries provides (a) certain corporate services and back office support, including payroll, accounting, risk management, tax, finance, recordkeeping, financial statement preparation and audit support, legal, treasury functions, regulatory compliance, insurance, information systems, office space and corporate and other centralized services and (b) certain advisory and business management services, including developing business strategies, executing financing transactions and structuring acquisitions and joint ventures;
- allows the parties to modify the terms and conditions of CEOC's performance of any of the services and to request additional services from time to time; and
- provides for payment of a service fee to CEOC in exchange for the provision of services, plus a margin of 10%.

In addition, the shared service agreement pursuant to which CEOC provides similar services to Caesars Interactive and the management agreements pursuant to which CEOC provides similar services to Planet Hollywood and Horseshoe Baltimore that were in place prior to the Transactions continue to remain in force.

The Consolidated Statement of Operations reflect an allocation of both expenses incurred in connection with these shared services agreements and directly billed expenses incurred through Caesars Entertainment and CEOC. General corporate expenses have been allocated based on a percentage of revenue, or on another basis (such as headcount), depending upon the nature of the general corporate expense being allocated. For the period October 22 through December 31, 2013 , CGP LLC recorded allocated general corporate expenses (including at times a 10% surcharge) and directly billed expenses totaling \$6.0 million . As of December 31, 2013 , the net payable balances for allocated and directly billed expenses is recorded in Payables to related party in the Consolidated Balance Sheet and was \$23.6 million .

The accompanying consolidated financial statements also include allocations of certain Caesars Entertainment general corporate expenses in accordance with shared services agreements under which Caesars Entertainment and its subsidiaries provide services to both Caesars Interactive and Planet Hollywood. These allocations of general corporate expenses may not reflect the expense CGP LLC would have incurred if it were a stand-alone company nor are they necessarily indicative of CGP LLC's future costs. Management believes the assumptions and methodologies used in the allocation of general corporate expenses from Caesars Entertainment are reasonable. Given the nature of these costs, it is not practicable for CGP LLC to estimate what these costs would have been on a stand-alone basis.

Contingently Issuable Non-Voting Management Units

In connection with the Transactions, CGP LLC recorded a liability of \$167.8 million representing the fair value of additional non-voting membership units contingently issuable to Caesars Entertainment during 2016. The contingently issuable non-voting membership units' fair value is based upon a multiple of EBITDA for the calendar year 2015 in excess of a specified minimum threshold and includes a maximum payout threshold. The fair value of the contingently issuable non-voting membership units at December 31, 2013 was \$306.5 million.

Management Fees

PHW Manager, LLC ("PHW Manager"), a wholly-owned subsidiary of CEOC, manages the operations of the Planet Hollywood. Fees paid to PHW Manager for such services include a base management fee calculated at 3% of adjusted gross operating revenue plus net casino wins, and an incentive fee calculated at 4.5% of EBITDA less the base management fee. For the period October 22 through December 31, 2013 , the fees were \$3.6 million. These fees are included in Property, general, administrative and other expenses in the Consolidated Statement of Operations. As of December 31, 2013 , the payable balances related to these fees were recorded in Payables to related party in the Consolidated

Balance Sheet and was \$1.6 million .

On October 21, 2013, CGP LLC purchased a 50% interest in the management fee revenues of PHW Manager, and Caesars Baltimore Management Company LLC, which holds a management agreement to manage the Maryland Joint Venture (see Note 1 — Description of Business and Summary of Significant Accounting Policies) for \$90 million recognized as long-term prepaid assets included in Deferred charges and other in CGP LLC's Consolidated Balance Sheet. The majority of the prepaid assets totaling \$70 million is related to Planet Hollywood and will be amortized over 35 years, which represents the term of the related management contract. The remaining \$20 million, related to the Maryland Joint Venture, will be amortized over 15 years, which represents the term of the related management contract. During 2013 , CGP LLC recorded amortization in the amount of \$0.4 million which is included in Property, general, administrative and other on CGP LLC's Consolidated Statement of Operations. Additionally, during 2013 , CGP LLC received 50% of the Planet Hollywood management fee paid to CEOC in the amount of \$1.8 million which is included in Property, General, Administrative and Other on CGP LLC's Consolidated Statement of Operations.

Planet Hollywood Self-Insurance

Planet Hollywood was self-insured by Caesars Entertainment and its subsidiaries up to certain limits for costs associated with general liability, workers' compensation and employee health coverage through June 2013. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims. In estimating these reserves, historical loss experience and judgments about the expected levels of costs per claim are considered. These claims are accounted for based on actuarial estimates of the undiscounted claims, including those claims incurred but not reported. Planet Hollywood believes the use of actuarial methods to account for these liabilities provides a consistent and effective way to measure these highly judgmental accruals. CGP LLC regularly monitors the potential for changes in estimates, evaluates its insurance accruals and adjusts its recorded provisions. Starting in July 2013, third-party insurance coverage was obtained on a prospective basis. As of December 31, 2013 , \$3.4 million, has been accrued to cover insurance claims and is included in Accrued expenses in the accompanying Consolidated Balance Sheet.

Long-term debt to related party

Caesars Interactive has entered into an unsecured credit facility with Caesars Entertainment (the "Credit Facility") whereby Caesars Entertainment provided to Caesars Interactive unsecured intercompany loans as approved by Caesars Entertainment on an individual transaction basis. In connection with the May 2011 purchase of 51% of Playtika, the December 2011 purchase of the remaining 49% interest in Playtika and the December 2012 Buffalo Studios acquisition, Caesars Interactive borrowed \$126.4 million for Playtika and \$42.0 million for Buffalo Studios under the Credit Facility. The outstanding CIE balance on the Credit Facility as of December 31, 2013 , was \$39.8 million . No principal payments are required under the Credit Facility until its maturity date of November 29, 2016. The unsecured intercompany loans bear interest on the unpaid principal amounts at a rate per annum equal to LIBOR plus 5%. For the period October 22 through December 31, 2013 , CGP LLC recorded \$0.4 million of interest expense associated with this debt. The Credit Facility does not have any restrictive or affirmative covenants.

Payable to related party

In connection with the July 2013 execution of the Baltimore Credit Facility, Caesars Baltimore and the other joint venture partners each provide, on a several and not joint basis, a completion guarantee with respect to the Baltimore Development, which guarantees completion of the construction of the Baltimore Development, availability of contemplated working capital and the discharge, bonding or insuring over of certain liens in connection with the Baltimore Development. The maximum liability of Caesars Baltimore under its completion guarantee is approximately \$9.1 million , which Caesars Baltimore received from CEOC. The guarantee is recorded as Payables to related parties and Restricted cash on the Consolidated Balance Sheet of CGP LLC (see Note 7 — Debt for additional information regarding the Baltimore Credit Facility).

Investments in notes and interest receivable from related party

CGP LLC's Investments in notes from related party consists solely of senior notes previously issued by CEOC which were acquired by Caesars Entertainment in transactions unrelated to the Transactions. All investments in notes from related party are classified as available for sale and are recorded as non-current assets.

The face value and fair value of the investment in related party notes are summarized below:

(In millions)

Maturity	Stated Interest Rate	Face Value at December 31, 2013	Fair Value at December 31, 2013
June 1, 2015	5.625%	\$ 427.3	\$ 425.7
June 1, 2016	6.50%	324.5	251.4
October 1, 2017	5.75%	357.7	254.5
Total		\$ 1,109.5	\$ 931.6

For additional discussion of fair value measurements, see Note 11 — Fair Value Measurements .

Investments included in the Consolidated Balance Sheet are summarized as follows:

(In millions)

	December 31, 2013
Investments in notes from related party	
Amortized cost	\$ 698.0
Unrealized gains recorded in accumulated other comprehensive income	233.6
Fair value of investments in notes from related party	\$ 931.6

CGP LLC evaluates whether securities in an unrealized loss position could potentially be other-than-temporarily impaired. CGP LLC has concluded that the fair values of the securities presented in the table above were not other-than-temporarily impaired as of December 31, 2013 . This conclusion is derived from CEOC's continued satisfaction of the securities' obligations in accordance with their contractual terms along with the expectation that CEOC will continue to do so. Also contributing to this conclusion are: the determination that it is more likely than not that CGP LLC will not be required to sell these securities prior to recovery, an assessment of CEOC's financial condition and other objective evidence.

For the period October 22 through December 31, 2013 , interest income from related parties includes \$12.7 million of income based on the stated interest rate and \$23.1 million of accretion of discount.

Rock Gaming, LLC

Rock Gaming holds approximately 5.0% of Caesars Interactive's outstanding common stock as of December 31, 2013 . CGP LLC entered into an agreement with Rock Gaming to develop an entertainment facility in the City of Baltimore (see Note 3 — Development and Acquisition Activity) and we issued convertible notes to Rock Gaming that are convertible into approximately 8,913 shares of Caesars Interactive common stock (see Note 9 — Equity and Non-Controlling Interests).

Note 19 — Subsequent Events

Baltimore Joint Venture

In February 2014 our joint venture CR Baltimore Holdings ("CRBH") sold a portion of its interest in CBAC Gaming, the entity which owns a majority of the interests in the Horseshoe Baltimore joint venture to an existing joint venture partner, Caves Valley Partners ("CVP"). Ownership of the Horseshoe Baltimore joint venture prior to and after the sale are described in the table below.

Effective Ownership Percentages of Horseshoe Baltimore Joint Venture

	Prior to Q1 2014 Sale	After Q1 2014 Sale
Caesars Baltimore Investment Company, LLC	51.8%	41.4%
Rock Gaming Mothership, LLC	36.8%	29.3%
CVPR Gaming Holdings, LLC	4.0%	21.9%
STRON-MD Limited Partnership	4.8%	4.8%
PRT Two, LLC	2.6%	2.6%

Acquisition of Pacific Interactive

On February 13, 2014, CIE announced the acquisition of Pacific Interactive UK Limited, a company based in the United Kingdom, and the assets of various affiliates of Pacific Interactive, creator of House of Fun, which is among the leading social and mobile casino-themed games on Facebook, iOS, Android and the Amazon marketplace. House of Fun was launched in 2011, is free to play, boasts industry-leading

KPI's and a loyal user base of 700,000 daily active users and 2,700,000 monthly active users.

Asset Sale Transaction Agreement

On March 1, 2014, CAC entered into a Transaction Agreement (the "Agreement") by and among, Caesars Entertainment, CEOC, Caesars License Company, LLC ("CLC"), Harrah's New Orleans Management Company ("HNOMC"), Corner Investment Company, LLC ("CIC"), 3535 LV Corp. ("3535 LV"), Parball Corporation ("Parball"), JCC Holding Company II, LLC ("JCC Holding"), CAC and CGP LLC. The Agreement was fully negotiated by and between a Special Committee of CEC's Board of Directors (the "CEC Special Committee") and a Special Committee of CAC's Board of Directors (the "CAC Special Committee"), each comprised solely of independent directors, and was recommended by both committees and approved by the Boards of Directors of CEC and CAC. The CEC Special Committee, the CAC Special Committee and the Boards of Directors of CEC and CAC each received fairness opinions from firms with experience in valuation matters, which stated that, based upon and subject to (and in reliance on) the assumptions made, matters considered and limits of such review, in each case as set forth in the opinions, the Purchase Price (as defined below) was fair from a financial point of view to CEC and CGP LLC, respectively.

Pursuant to the terms of the Agreement, CGP LLC (or one or more of its designated direct or indirect subsidiaries) agreed to acquire from CEOC or one or more of its affiliates, (i) The Cromwell (f/k/a Bill's Gamblin' Hall & Saloon), The Quad Resort & Casino ("The Quad"), Bally's Las Vegas and Harrah's New Orleans (each a "Property" and collectively, the "Properties"), (ii) 50% of the ongoing management fees and any termination fees payable under the Property Management Agreements to be entered between a Property Manager (as defined below) and the owners of each of the Properties (the "Property Management Agreements"); and (iii) certain intellectual property that is specific to each of the Properties (together with the transactions described in (i) and (ii) above, the "Asset Sale Transaction") for an aggregate purchase price of US \$2.0 billion (the "Purchase Price"), less outstanding debt to be assumed in the Asset Sale Transaction, and also subject to various pre-closing and post-closing adjustments in accordance with the terms of the Agreement.

The Asset Sale Transaction is subject to certain closing conditions, including the receipt of gaming and other required governmental approvals, accuracy of representations and warranties, compliance with covenants and receipt by CEC and the CEC Special Committee of certain opinions with respect to CEOC. In addition, the consummation of the Asset Sale Transaction by CAC is subject to CAC's receipt of financing on terms and conditions satisfactory to CAC and CGP LLC. The Agreement provides that, at the closing of the Asset Sale Transaction (the "Closing"), the owner of each Property will enter into a Property Management Agreement with the applicable Property Manager, pursuant to which, among other things, the Property Managers will provide management services to the applicable Property and CLC will license enterprise-wide intellectual property used in the operation of the Properties.

The Agreement contains customary indemnification obligations of each party with respect to breaches of their respective representations, warranties, covenants and obligations, and certain other designated matters, which in certain circumstances are subject to specified limitations on the amount of indemnifiable damages and the survival period in which a claim may be made. Additional indemnification obligations of CEC and the Sellers (as defined in the Agreement) include amounts expended for new construction and renovation at The Quad in excess of the \$223 million budgeted for renovation expenses (up to a maximum amount equal to 15% of such budgeted amount and subject to certain exceptions) and certain liabilities arising under employee benefit plans. In addition to the aforementioned indemnification obligations, the Agreement requires that CEOC ensure that the remaining amounts required to construct and open The Cromwell be fully-funded by CEOC, including providing a minimum amount of House Funds (as defined in the Agreement) in connection with the opening of The Cromwell. CEC and certain of its affiliates will indemnify CAC, CGP LLC and certain of their affiliates for a failure to open the hotel and casino at The Cromwell by a specified date and for failure to open the restaurant and nightclub at The Cromwell by a specified date.

The Property Management Agreements will be entered into at Closing by and between each of the four property management entities (each a "Property Manager" and collectively, the "Property Managers"), each of which (other than HNOMC, which is the existing manager of Harrah's New Orleans) will be formed as a wholly-owned subsidiary of CEOC, and each of the respective owners of the Properties (the "Property Owners"). The ongoing management fees payable to each of the Property Managers consists of a (i) base management fee of 2% of net operating revenues with respect to each month of each year during the term of such agreement and (ii) an incentive management fee in an amount equal to 5% of EBITDA for each operating year. CEOC will guarantee the obligations of the Property Managers under each of the Property Management Agreements.

Pursuant to the terms of the Agreement, the parties have agreed to use reasonable best efforts to establish a new services joint venture (the "Services JV") which will be jointly owned by CEOC, Caesars Entertainment Resort Properties, LLC ("CERP"), and CGP LLC and certain of their respective subsidiaries. The purpose of the Services JV includes the common management of the enterprise-wide intellectual property, which will be licensed by the Services JV to, among other parties, each of the Property Owners, and shared services operations across the portfolio of CEOC, CERP and CGP LLC properties. The principal anticipated terms of the Services JV contemplated by the Transaction Agreement include the following: (i) CEOC will provide the Services JV with a non-exclusive, irrevocable, royalty-free license that includes the intellectual property that CEOC

and its subsidiaries own but are used in the operation of CERP and CGP LLC assets under shared services agreements, or known as Enterprise Assets. CEOC and its subsidiaries will continue to own the assets licensed; (ii) Contribution to the Services JV by CGP LLC and CERP of cash in an amount to be determined; and (iii) Services JV will use cash contributions for capital expenditures relating to the maintenance, operation and upkeep of the Enterprise Assets and the acquisition of any new additional assets or services in connection with providing enterprise services to its members. The users of the services will reimburse Services JV for its share of any allocated expenses of Services JV attributable to such user, consistent with existing arrangements. The ultimate terms of the Services JV are subject to finalization and required regulatory approvals. Following the Closing, at CGP LLC's request and subject to receipt of any required regulatory approvals, the Property Management Agreements will be assigned to the Services JV which will thereafter perform the obligations of the Property Managers (in which case CEOC's guarantee of the obligations under the assigned Property Management Agreements will be released).

The Agreement is subject to termination if the Closing is not completed by June 30, 2014, which date may be extended until August 31, 2014 in certain circumstances.

The representations and warranties set forth in the Agreement have been made only for the purposes of such agreement and were solely for the benefit of the parties to the Agreement, may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures, may have been made for the purposes of allocating contractual risk between the parties to the Agreement instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors.

The foregoing description of the Agreement is only a summary, does not purport to be complete and is qualified in its entirety by reference to the full text of the Agreement which was filed with the SEC on March 3, 2014 as an Exhibit to Form 8-K.

In connection with the Transaction, on March 1, 2014, Caesars Growth Properties Holdings, LLC ("CGPH"), a wholly-owned subsidiary of CGP LLC, entered into a commitment letter (the "Commitment Letter") with Citigroup Global Markets Inc., Citibank, N.A., Citicorp USA, Inc., Citicorp North America, Inc. ("Citi"), Credit Suisse AG ("CS"), Deutsche Bank AG New York Branch and Cayman Islands Branch ("DB") and UBS AG, Stamford Branch ("UBS", together with Citi, CS and DB, the "Lenders"), pursuant to which, subject to the conditions set forth therein, the Lenders committed to provide \$1.325 billion in senior secured credit facilities (a \$1.175 billion senior secured term facility and a \$150.0 million senior secured revolving facility) and \$675.0 million in second lien indebtedness to consummate the Asset Sale Transaction and to refinance Planet Hollywood Resort & Casino's existing indebtedness, on or prior to the Closing Date.

On March 26, 2014, CAC announced that CGPH launched the syndication of \$1.325 billion of new senior secured credit facilities, consisting of the previously mentioned \$1.175 billion term loan facility and \$150.0 million revolving credit facility.

Potential Allegation

On March 21, 2014, CEC, CEOC, Caesars Entertainment Resort Properties, LLC ("CERP"), CAC and Caesars Growth Partners, LLC received a letter (the "Letter") from a law firm acting on behalf of unnamed clients who claim to hold Second-Priority Secured Notes of CEOC, alleging, among other things, that CEOC is insolvent and that CEOC's owners improperly transferred or seek to transfer valuable assets of CEOC to affiliated entities in connection with: (a) the transaction agreement dated October 21, 2013 by and among CEC, certain subsidiaries of CEC and CEOC, Caesars Acquisition Company and Caesars Growth Partners, LLC, which, among other things, provide for the asset transfers from subsidiaries of CEOC to Caesars Growth Partners, LLC of the Planet Hollywood Casino and interests in Horseshoe Baltimore that was consummated in 2013; (b) the transfer by CEOC to CERP of Octavius Tower and Project Linq that was consummated in 2013 ((a) and (b) collectively, the "2013 Transactions"); and (c) the contemplated transfers by CEOC to Caesars Growth Partners of The Cromwell, The Quad, Bally's Las Vegas and Harrah's New Orleans (the "Contemplated Transaction"). The Letter does not identify the holders or specify the amount of Second-Priority Secured Notes or other securities that they may hold. The Letter includes allegations that these transactions constitute or will constitute voidable fraudulent transfers and represent breaches of alleged fiduciary duties owed to CEOC creditors and that certain disclosures concerning the transactions were inadequate. The Letter demands, among other things, that the transactions be rescinded or terminated, as would be applicable. CGP LLC strongly believes there is no merit to the Letter's allegations and will defend itself vigorously and seek appropriate relief should any action be brought.

Note 20 — Quarterly Results of Operations (Unaudited)

<u>(in millions)</u>	<u>October 22, 2013</u> <u>Through</u> <u>December 31, 2013</u>
Net revenues	\$ 141.7
Loss from operations	(152.5)
Net loss	(132.1)
Net loss attributable to CGP LLC	(127.5)

Gaming Regulation Overview

General

The ownership and operation of gaming facilities and online real money platforms is subject to pervasive regulation under the laws, rules and regulations of each of the jurisdictions in which Caesars Acquisition Company ("CAC") and Caesars Growth Partners, LLC ("CGP LLC") do business. Gaming laws are based upon declarations of public policy designed to ensure that gaming is conducted honestly, competitively and free of criminal and corruptive elements. Since the continued growth and success of gaming is dependent upon public confidence, gaming laws protect gaming consumers and the viability and integrity of the gaming industry, including prevention of cheating and fraudulent practices. Gaming laws may also be designed to protect and maximize state and local revenues derived through taxation and licensing fees imposed on gaming industry participants and to enhance economic development and tourism. To accomplish these public policy goals, gaming laws establish procedures to ensure that participants in the gaming industry meet certain standards of character and fitness, or suitability. In addition, gaming laws require gaming industry participants to:

- establish and maintain responsible accounting practices and procedures;
- maintain effective controls over their financial practices, including establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues;
- maintain systems for reliable record keeping;
- file periodic reports with gaming regulators; and
- maintain strict compliance with various laws, regulations and required minimum internal controls pertaining to gaming.

Typically, regulatory environments in the jurisdictions in which CAC and CGP LLC or their licensees do business are established by statute and are administered by a regulatory agency or agencies with interpretive authority with respect to gaming laws and regulations and broad discretion to regulate the affairs of owners, managers and persons/entities with financial interests in gaming operations. Among other things, gaming authorities in the various jurisdictions in which CAC and CGP LLC do business:

- adopt rules and regulations under the implementing statutes;
- make appropriate investigations to determine if there has been any violation of laws or regulations;
- enforce gaming laws and impose disciplinary sanctions for violations, including fines and penalties;
- review the character and fitness of participants in gaming operations and make determinations regarding their suitability or qualification for licensure;
- grant licenses for participation in gaming operations;
- collect and review reports and information submitted by participants in gaming operations;
- review and approve transactions, such as acquisitions or change-of-control transactions of gaming industry participants, securities offerings and debt transactions engaged in by such participants; and
- establish and collect fees and/or taxes.

Licensing and Suitability Determinations

Gaming laws require owners and operators engaged in gaming operations, and certain of their directors, officers and employees, and in some cases, stockholders and holders of debt securities, to obtain licenses or to obtain findings of suitability from gaming authorities. Licenses or findings of suitability typically require a determination that the applicant qualifies or is suitable. Gaming authorities have very broad discretion in determining whether an applicant qualifies for licensing or should be deemed suitable. Subject to certain administrative proceeding requirements, the gaming regulators have the authority to deny any application or limit, condition, restrict, revoke or suspend any license, registration, finding of suitability or approval, or fine any person licensed, registered or found suitable or approved, for any cause deemed reasonable by the gaming authorities. Criteria used in determining whether to grant a license or finding of suitability, while varying between jurisdictions, generally include consideration of factors such as:

- the financial stability, integrity and responsibility of the applicant, including whether the operation is adequately capitalized in the jurisdiction and exhibits the ability to maintain adequate insurance levels;
- the quality and security of the applicant's gaming facilities or online real money platform, as applicable;

- the past history of the applicant in relation to other gaming activities; and
- the effect on competition and general impact on the community.

In evaluating individual applicants, gaming authorities consider the individual's reputation for good character and criminal and financial history and the character of those with whom the individual associates.

Some jurisdictions limit the number of licenses granted to operate gaming facilities within the jurisdiction, which is the case in Maryland, and some jurisdictions limit the number of licenses granted to any one gaming operator.

All of CAC and CGP LLC's jurisdictions have statutory or regulatory provisions that govern the required action that must be taken in the event that a license is revoked or not renewed. This can include criminal sanctions against those who operate outside the scope of those activities for which they are licensed.

In addition to investigating CAC and/or CGP LLC, gaming authorities may investigate any individual or entity having a material relationship to, or material involvement with, CAC or CGP LLC, any of its direct or indirect interest holders, including stockholders of CAC, or its subsidiaries to determine whether such individual or entity is suitable or should be licensed as a business associate of a gaming licensee. Certain jurisdictions require that any change in our directors or officers, including the directors or officers of our subsidiaries, must be approved by the requisite regulatory agency. Certain of the officers, directors and certain key employees of CAC, CGP LLC and their subsidiaries must also file applications with the gaming authorities and are required to be licensed, qualified or be found suitable. Gaming authorities may deny an application for licensing for any cause which they deem reasonable. Qualification and suitability determinations require submission of detailed personal and financial information followed by a thorough investigation. The burden of demonstrating suitability is on the applicant, who must pay all the costs of the investigation. Changes in licensed positions must be reported to gaming authorities and in addition to their authority to deny an application for licensure, qualification or a finding of suitability, gaming authorities have jurisdiction to disapprove of a change in a corporate position.

If gaming authorities were to find that an officer, director or key employee fails to qualify or is unsuitable for licensing or unsuitable to continue having a relationship with CAC or CGP LLC, CAC and CGP LLC would have to sever all relationships with such person. In addition, gaming authorities may require us to terminate the employment of any person who refuses to file appropriate applications.

Moreover, in many jurisdictions, any of our stockholders or holders of our debt securities may be required to file an application, be investigated, and qualify or have his, her or its suitability determined. For example, under Nevada gaming laws, each person who acquires, directly or indirectly, beneficial ownership of any voting security, or beneficial or record ownership of any non-voting security or any debt security in a public corporation which is registered with the Nevada Gaming Commission (the "Nevada Commission"), such as CAC, may be required to be found suitable if the Nevada Commission has reason to believe that his or her acquisition of that ownership, or his or her continued ownership in general, would be inconsistent with the declared public policy of Nevada, in the sole discretion of the Nevada Commission. Any person required by the Nevada Commission to be found suitable shall apply for a finding of suitability within 30 days after the Nevada Commission's request that he or she should do so and, together with his or her application for suitability, deposit with the Nevada Board a sum of money which, in the sole discretion of the Nevada Board, will be adequate to pay the anticipated costs and charges incurred in the investigation and processing of that application for suitability, and deposit such additional sums as are required by the Nevada Board to pay final costs and charges.

Furthermore, any person required by a gaming authority to be found suitable, who is found unsuitable by the gaming authority, shall not be able to hold directly or indirectly the beneficial ownership of any voting security or the beneficial or record ownership of any nonvoting security or any debt security of any public corporation which is registered with the gaming authority, such as CAC, beyond the time prescribed by the gaming authority. A violation of the foregoing may constitute a criminal offense. A finding of unsuitability by a particular gaming authority impacts that person's ability to associate or affiliate with gaming licensees in that particular jurisdiction and could impact the person's ability to associate or affiliate with gaming licensees in other jurisdictions.

Many jurisdictions also require any person who acquires beneficial ownership of more than a certain percentage of our voting securities and, in some jurisdictions, our non-voting securities, typically 5%, to report the acquisition to gaming authorities, and gaming authorities may require such holders to apply for qualification or a finding of suitability. Most gaming authorities, however, allow an "institutional investor" to apply for a waiver that allows the "institutional investor" to acquire, in most cases, up to 15% of our voting securities without applying for qualification or a finding of suitability, while in Nevada, the authorities apply the waiver for up to 25% of voting securities. An "institutional investor" is generally defined as an investor acquiring and holding voting securities in the ordinary course of business as an institutional investor, and not for the purpose of causing, directly or indirectly, the election of a majority of the members of our board of directors, any change in our corporate

charter, by-laws, management, policies or operations, or those of any of our gaming affiliates, or the taking of any other action which gaming authorities find to be inconsistent with holding our voting securities for investment purposes only. An application for a waiver as an institutional investor requires the submission of detailed information about the company and its regulatory filings, the name of each person that beneficially owns more than 5% of the institutional investor's voting securities or other equivalent and a certification made under oath or penalty for perjury, that the voting securities were acquired and are held for investment purposes only. Even if a waiver is granted, an institutional investor generally may not take any action inconsistent with its status when the waiver was granted without once again becoming subject to the foregoing reporting and application obligations. A change in the investment intent of an institutional investor must be reported to certain regulatory authorities immediately after its decision.

Although the above describes the process in Nevada and many jurisdictions, some differ.

Notwithstanding, each person who acquires directly or indirectly, beneficial ownership of any voting security, or beneficial or record ownership of any nonvoting security or any debt security in CAC may be required to be found suitable if a gaming authority has reason to believe that such person's acquisition of that ownership would otherwise be inconsistent with the declared policy of the jurisdiction.

Generally, any person who fails or refuses to apply for a finding of suitability or a license within the prescribed period after being advised it is required by gaming authorities may be denied a license or found unsuitable, as applicable. The same restrictions may also apply to a record owner if the record owner, after request, fails to identify the beneficial owner. Any person found unsuitable or denied a license and who holds, directly or indirectly, any beneficial ownership of our securities beyond such period of time as may be prescribed by the applicable gaming authorities may be guilty of a criminal offense. Furthermore, we may be subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with us or any of our subsidiaries, we:

- pay that person any dividend or interest upon our voting securities;
- allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person;
- pay remuneration in any form to that person for services rendered or otherwise; or
- fail to pursue all lawful efforts to require such unsuitable person to relinquish his voting securities including, if necessary, the immediate purchase of said voting securities for cash at fair market value.

Although most jurisdictions generally do not require the individual holders of debt such as notes or loans to be investigated and found suitable, gaming authorities may nevertheless retain the discretion to do so for any reason, including but not limited to, a default, or where the holder of the debt instruments exercises a material influence over the gaming operations of the entity in question. Any holder of debt required to apply for a finding of suitability or otherwise qualify must generally pay all investigative fees and costs of the gaming authority in connection with such an investigation. If the gaming authority determines that a person is unsuitable to own such debt, we may be subject to disciplinary action, including the loss of our approvals, if without the prior approval of the gaming authority, we:

- pay to the unsuitable person any dividend, interest or any distribution whatsoever;
- recognize any voting right by the unsuitable person in connection with those securities;
- pay the unsuitable person remuneration in any form; or
- make any payment to the unsuitable person by way of principal, redemption, conversion exchange, liquidation or similar transaction.

Certain jurisdictions impose similar restrictions in connection with debt securities and retain the right to require holders of debt securities to apply for a license or otherwise be found suitable by the gaming authority.

Nevada law does not permit us to make a public offering of securities if the proceeds of the offering are intended to be used in connection with gaming operations in Nevada without either the prior approval of the Nevada Gaming Commission or a ruling by the Chairman of the Nevada Gaming Control Board that an application for approval of the offering by the Nevada Gaming Commission is not necessary. Under New Jersey gaming laws, if a holder of our debt or equity securities is required to qualify, the holder may be required to file an application for qualification or divest itself of the securities. If the holder files an application for qualification, it must place the securities in trust with an approved trustee. If the gaming regulatory authorities approve interim authorization, and while the application for plenary qualification is pending, such holder may, through the approved trustee, continue to exercise all rights incident to the ownership of the securities. If the gaming regulatory authorities deny interim authorization, the trust shall become operative and the trustee shall have the authority to exercise all the rights incident to ownership, including the authority to dispose of the securities and the security holder shall have no right to

participate in casino earnings and may only receive a return on its investment in an amount not to exceed the actual cost of the investment (as defined by New Jersey gaming laws). If the security holder obtains interim authorization but the gaming authorities later find reasonable cause to believe that the security holder may be found unqualified, the trust shall become operative and the trustee shall have the authority to exercise all rights incident to ownership pending a determination on such holder's qualifications. However, during the period the securities remain in trust, the security holder may petition the New Jersey gaming authorities to direct the trustee to dispose of the trust property and distribute proceeds of the trust to the security holder in an amount not to exceed the lower of the actual cost of the investment or the value of the securities on the date the trust became operative. If the security holder is ultimately found unqualified, the trustee is required to sell the securities and to distribute the proceeds of the sale to the applicant in an amount not exceeding the lower of the actual cost of the investment or the value of the securities on the date the trust became operative and to distribute the remaining proceeds to the state. If the security holder is found qualified, the trust agreement will be terminated.

CAC's Certificate of Incorporation contains provisions establishing the right to redeem the securities of disqualified holders if necessary to avoid any regulatory sanctions, to prevent the loss or to secure the reinstatement of any license or franchise, or if such holder is determined by any gaming regulatory agency to be unsuitable, has an application for a license or permit denied or rejected, or has a previously issued license or permit rescinded, suspended, revoked or not renewed. CAC's Certificate of Incorporation also contains provisions defining the redemption price and the rights of a disqualified security holder.

CAC and CGP LLC's jurisdictions also require that manufacturers and distributors of gaming equipment and suppliers of certain goods and services to gaming industry participants be licensed and require us to purchase and lease gaming equipment, supplies and services only from licensed suppliers. In addition, regulatory authorities in one or more jurisdictions may require CAC or CGP LLC to obtain new licenses in connection with the Transactions or due to future changes in regulation. For instance, the Missouri Gaming Commission is requiring that CAC obtain certain licenses after the closing of the Transactions even though CGP LLC does not operate in Missouri. The failure of CAC to obtain a license from the Missouri Gaming Commission could, among other things, result in the loss of Caesars Entertainment's gaming license in Missouri. If other jurisdictions require CAC or CGP LLC to obtain new licenses in connection with the Transactions or due to future changes in regulation, and CAC or CGP LLC is unable to obtain those licenses, it could adversely impact CAC and CGP LLC's business, financial condition and results of operations.

Violations of Gaming Laws

If CAC, CGP LLC or their subsidiaries violate applicable gaming laws, its gaming licenses could be limited, conditioned, suspended or revoked by gaming authorities, and we and any other persons involved could be subject to substantial fines. Further, a supervisor or conservator can be appointed by gaming authorities to operate our gaming properties, or in some jurisdictions, take title to our gaming assets in the jurisdiction, and under certain circumstances, earnings generated during such appointment could be forfeited to the applicable jurisdictions. Furthermore, violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions. As a result, violations by us of applicable gaming laws could have a material adverse effect on our financial condition, prospects and results of operations.

Reporting and Recordkeeping Requirements

CAC, CGP LLC and/or their subsidiaries are required to periodically submit detailed financial and operating reports and furnish any other information about CAC, CGP LLC or their subsidiaries which gaming authorities may require. Under federal law, CAC, CGP LLC and/or their subsidiaries are required to record and submit detailed reports of currency transactions involving greater than \$10,000 at their casinos and Suspicious Activity Reports if the facts presented so warrant. Some jurisdictions require CAC, CGP LLC and/or their subsidiaries to maintain a log that records aggregate cash transactions in the amount of \$3,000 or more, although Nevada does not have any reporting or recordkeeping requirements other than compliance with Title 31 of the Bank Secrecy Act. CAC, CGP LLC and/or their subsidiaries are required to maintain a current stock ledger which may be examined by gaming authorities at any time. CAC, CGP LLC and/or their subsidiaries may also be required to disclose to gaming authorities upon request the identities of the holders of their debt or other securities. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to gaming authorities. Failure to make such disclosure may be grounds for finding the record holder unsuitable. Gaming authorities may also require certificates for the stock of CAC, CGP LLC and/or their subsidiaries to bear a legend indicating that the securities are subject to specified gaming laws. In certain jurisdictions, gaming authorities have the power to impose additional restrictions on the holders of securities issued by CAC, CGP LLC and/or their subsidiaries at any time.

Review and Approval of Transactions

Substantially all material loans, leases, sales of securities and similar financing transactions by CAC, CGP LLC and

their subsidiaries must be reported to, or approved by, gaming authorities. Neither CAC, CGP LLC nor any of their subsidiaries may make a public offering of securities without the prior approval of certain gaming authorities, such as Nevada, if the securities or the proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in such jurisdictions, or to retire or extend obligations incurred for such purposes. Such approval, if given, does not constitute a recommendation or approval of the investment merits of the securities subject to the offering. Changes in control through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or otherwise, require prior approval of gaming authorities in certain jurisdictions. Entities seeking to acquire control of CAC, CGP LLC or one of their subsidiaries must satisfy gaming authorities with respect to a variety of stringent standards prior to assuming control. Gaming authorities may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

Certain gaming laws and regulations in jurisdictions CAC and/or CGP LLC operate in, including Nevada, establish that certain corporate acquisitions opposed by management, repurchases of voting securities and corporate defense tactics affecting CAC, CGP LLC or their subsidiaries may be injurious to stable and productive corporate gaming, and as a result, prior approval may be required before CAC and CGP LLC may make exceptional repurchases of voting securities (such as repurchases which treat holders differently) above the current market price and before a corporate acquisition opposed by management can be consummated. In certain jurisdictions, such as Nevada, the gaming authorities also require prior approval of a plan of recapitalization proposed by the board of directors of a publicly traded corporation which is registered with the gaming authority in response to a tender offer made directly to the registered corporation's stockholders for the purpose of acquiring control of the registered corporation.

Because licenses under gaming laws are generally not transferable, CAC and CGP LLC's ability to grant a security interest in any of our gaming assets is limited and may be subject to receipt of prior approval from gaming authorities. A pledge of the stock of a subsidiary holding a gaming license and the foreclosure of such a pledge may be ineffective without the prior approval of gaming authorities. Moreover, CAC and CGP LLC's subsidiaries holding gaming licenses may be unable to guarantee a security issued by an affiliated or parent company pursuant to a public offering, or pledge their assets to secure payment of the obligations evidenced by the security issued by an affiliated or parent company, without the prior approval of gaming authorities.

Some jurisdictions also require CAC and/or CGP LLC to file a report with the gaming authority within a prescribed period of time following certain financial transactions and the offering of debt securities. Were they to deem it appropriate, certain gaming authorities reserve the right to order such transactions rescinded.

Certain jurisdictions, such as Nevada, require the implementation of a compliance review and reporting system created for the purpose of monitoring activities related to our continuing qualification. These plans require periodic reports to senior management of CAC and/or CGP LLC and to the regulatory authorities.

Certain jurisdictions require that an independent audit committee oversee the functions of surveillance and internal audit departments at CGP LLC's casinos.

License Fees and Gaming Taxes

CAC and CGP LLC pay license fees and taxes in the jurisdictions in which their operations are conducted, in connection with its casino gaming operations and its online real money gaming applications, computed in various ways depending on the type of gaming or activity involved. Depending upon the particular fee or tax involved, these fees and taxes are payable either daily, monthly, quarterly or annually. License fees and taxes are based upon such factors as:

- a percentage of the gross revenues received; and
- the number of gaming devices and table games operated;

In certain jurisdictions, such as Nevada, gaming tax rates are graduated with the effect of increasing as gross revenues increase. Also, in certain jurisdictions, CAC and CGP LLC pay different rates depending on the type of gaming activity. For example, in Maryland, the tax rate on slot machines is currently 61% (which will be reduced to 54% upon the opening of the facility in Prince George County, Maryland) and on table games is 20%. Furthermore, tax rates are subject to change, sometimes with little notice, and it is common for legislatures in CAC and CGP LLC's jurisdictions to discuss the relative merits of changing gaming taxes on a regular basis. For example, in the 20912 zip code area, Maryland lowered the gaming tax rate on slot machines as part of legislation that introduced table games in the jurisdiction. Live entertainment tax is also paid in certain jurisdictions, such as Nevada, by casino operations where entertainment is furnished in connection with the selling or serving of food or refreshments or the selling of merchandise.

Internet and Land-Based Poker Tournaments

Current Spheres of Business

CIE provides online real money gaming in the UK through arrangements with third-parties. In addition, in December 2012, CIE received a license to provide online real money poker in Nevada and launched *WSOP.com* in September 2013.

CIE also licenses certain of its intellectual property to third party operators that provide online real money gaming and/or land-based gaming to customers in Australia. The arrangements are structured such that CIE receives a license fee tied to the revenue generated by those operators from the provision of online real money gaming and/or land-based gaming services in those jurisdictions in return for the use of its brands. As such, CIE does not provide online real money gaming or operate any gaming facilities in these jurisdictions, but relies upon the technical expertise and regulatory permissions of its licensees.

CIE's licensees in Australia are subject to pervasive regulation under the laws, rules and regulations of the jurisdictions in which they provide online real money gaming and/or land-based gaming facilities. Generally, CIE is not directly subject to such regulation by virtue of its licensing arrangement with these licensees, but the regulatory regimes that govern its licensees do affect CIE indirectly and may affect CIE directly in the future.

In the following paragraphs, we describe in general terms the legal environment that exists in the UK, Nevada and New Jersey and the mechanisms by which CIE is legally entitled to provide online real money gaming.

UK Operations

CIE currently derives revenue from gaming offered to members of the UK public through arrangements with two companies, 888 and Entertaining Play Limited ("Entertaining Play"). 888 is a subsidiary of Cassava Enterprises (Gibraltar) Limited ("Cassava") (which operates under the name *888.com*) and Entertaining Play is a subsidiary of Gamesys Limited (which operates under the name JackpotJoy).

Under the current arrangements, 888 is responsible for providing real money online poker and casino gaming under the brand name "World Series of Poker" and Entertaining Play is responsible for providing real money online bingo, online casino games and other real money offerings such as online slots under the "Caesars" brand name. In each case, the contractual arrangement limits the companies to offering the gaming services to the territory of the UK unless otherwise agreed.

Both 888 and Entertaining Play are companies which operate online gambling services under license from the Gibraltar Licensing Authority. 888 through Cassava is the holder of license number RGL No. 022 and Entertaining Play is the holder of license number RGL No. 046.

Gibraltar Online Regulatory Regime. The legislation currently governing gaming in Gibraltar is the Gibraltar Gambling Ordinance 2005. It provides a legal framework for the regulation, licensing and taxation of online gaming. The Gibraltar authorities have been licensing online gaming since 2005. Generally the Gibraltar Licensing Authority and the Gambling Commissioner are tasked with offering a stable and sophisticated regulatory environment, which is designed to support the gaming industry as a generator of income and provider of employment to the local economy.

As described above, CIE's agreements with 888 and Entertaining Play are restricted to the offering of gaming to UK citizens unless otherwise agreed.

UK Gaming Regulations. Gaming in the UK is regulated by the Gaming Act 2005 (the "Act"). The Act establishes the Gambling Commission as the statutory regulator that is responsible for granting licenses to operate as well as overseeing compliance with the law.

The principal method for controlling gaming in the UK is through criminal law. In other words, the Act describes the offer or operation of a particular form of gaming as being a criminal offense unless the activity is (i) authorized by an appropriate license and (ii) operated in accordance with the conditions of that license.

The Act only applies to operators of remote gaming to the extent that such operators situate a piece of "remote gaming equipment" within the UK jurisdiction. Neither 888 nor Entertaining Play have such equipment within the UK and therefore are not required to hold a UK gaming license. Furthermore, although the Act prohibits the advertising of gaming services in the UK by foreign operators, an exception to the general rule (contained in s.331(3) of the Act) expressly permits those who hold licenses in Gibraltar (which is an overseas territory of Great Britain) to advertise gaming services within the UK. Accordingly, advertisements and marketing campaigns operated by CIE or by 888 or Entertaining Play are subject to regulation under the Act in the UK and associated UK rules and codes of practice.

There are a number of regulatory risks with CIE's arrangements with 888 and Entertaining Play. As explained above, the right to offer remote gaming services to the UK market is dependent on 888 or Entertaining Play (as the case may be):

- holding a valid Gibraltar remote gaming license;
- complying with the terms of the specific gaming license;
- being permitted to offer gaming in the UK by virtue of holding a Gibraltar remote gaming license; and
- ensuring that the marketing of those services within the UK complies with the Act.

To the extent that either 888 or Entertaining Play cease to hold a valid Gibraltar remote gaming license, whether due to a change in the requirements for a license, a breach of the terms of compliance of the license or otherwise, they may (unless replaced by an alternative license from a state in the European Economic Area or from one of the states currently "white listed" by the Secretary of State in the UK) cease to have the right to offer gaming services online in the UK. Equally, to the extent the law in the UK is changed such that owners of Gibraltar remote gaming licenses are no longer permitted to advertise their services in the UK, 888 and Entertaining Play will cease to be able to offer gaming services online in the UK.

In this regard, the government in the UK announced in March 2012 its intention to oblige operators in states such as Gibraltar that advertise services to and do business with UK citizens to obtain a supplementary license from the UK Gambling Commission. There are also proposals for such gaming operators to pay UK gaming duty in relation to the business conducted with UK citizens. UK gaming duty currently operates at a rate of 15% on gross profits, though a different rate may be selected in relation to foreign operators and/or remote gaming. These proposals are in draft form only, but signal both the UK government's intention to obtain tax revenue from foreign operators interacting with UK citizens and, by implication, its intention to continue to permit those licensed in Gibraltar to offer such services to UK citizens.

Other Relevant Regulations. Both 888 and Entertaining Play collect data relating to customer activity, which is subject to the rules relating to the protection of privacy and data that apply across Europe (including under Gibraltar's separate legislation, which follows that of the UK). Data protection laws require those collecting data to only use and process such data for lawful uses where the data subject has given consent to the processing and has been provided with certain information as to the use and transferability of the data. Failure to comply with the law on data protection and privacy can give rise to regulatory sanctions, including in extreme cases fines and criminal offenses. As a result of these rules, 888 and Entertaining Play both provide privacy statements and terms and conditions indicating the way in which they will use data. The applicable terms and conditions are sufficiently broad in scope to permit CIE to take over the processing of that data upon expiry or termination of the current agreements and to provide that data to a third party. Furthermore, the European legislative institutions are currently considering significant amendments to the data protection regime in Europe which may impact upon CIE's ability to use customer data for marketing purposes.

As the controller of the brands being licensed, CIE may also be subject to third-party claims in connection with the online gaming services offered by CIE's partners and, to the extent that users of the service can upload information and content, claims in connection with such data users' uploaded content. Such claims could relate, amongst others, to intellectual property infringement, defamation, privacy issues, breaches of the Electronic Commerce (EC Directive) Regulations 2002 and breaches of confidential information.

Furthermore, CIE is subject to UK and pan-European laws and regulations relating to unfair commercial practices, misleading and comparative advertising and unfair terms in consumer contracts.

As the services offered under the brands which Caesars Entertainment licenses are offered online, there is an argument that those services are offered worldwide. Some jurisdictions may claim that CIE, 888 or Entertaining Play need to comply with regulations and legislation in their jurisdictions even where CAC nor CGP LLC have no intended presence or customer base in that jurisdiction. In this regard, CIE imposes on both 888 and Entertaining Play an obligation to limit or block the availability of the services in respect of any user in any territory if there is a risk of legal, regulatory or economic sanctions in that territory.

Finally, under CIE's arrangements, 888 and Entertaining Play are permitted to operate gaming under its brands. Should these events be run in a manner which does not comply with applicable regulations or CIE's policies or in a manner which is otherwise not reflective of international best practice, then CIE's brand and reputation may be adversely affected.

Nevada Regulations

CIE is subject to the Nevada Gaming Control Act (the "Nevada Act") and to the licensing and regulatory controls of the Nevada Board and the Nevada Commission (and collectively with the Nevada Board, the "Nevada Gaming Authorities") due to its licensure as an "operator of an interactive gaming system" by the Nevada Commission (as described below). CIE is

able to obtain an operator of an interactive gaming system license because it is an affiliate of a nonrestricted gaming licensee as defined in Nevada Revised Statute 463.0177.

CIE has been licensed by the Nevada Commission as an "operator of an interactive gaming system," which allows it to offer Internet poker to individuals located within the State of Nevada. CIE's interactive gaming system received regulatory certification for a September 19, 2013 "field trial" launch of *WSOP.com*. Any future modifications thereto will require approval of the Nevada Board and, in some cases, the Nevada Commission. 888 has applied for and received licensure by the Nevada Commission, and CIE currently uses its software for real money online poker in Nevada. If it were determined that CIE or CIE's service provider violated the Nevada Act or the regulations of the Nevada Commission, then the approvals and licenses held by CIE or the service provider could be limited, conditioned, suspended or revoked and CIE and/or the service provider, and the individuals involved, could be subject to substantial fines for each separate violation of the gaming laws at the discretion of the Nevada Commission. Any such action could have a material adverse effect on CIE. Furthermore, if additional states or the Federal government fail to enact online real money gaming legislation, CIE will be limited to offering online real money gaming to players in Nevada once CIE receives the required approvals.

New Jersey Regulations

In February 2013, the New Jersey legislature enacted new legislation to amend and supplement the Casino Control Act, providing for internet gaming at Atlantic City casinos under certain circumstances. This legislation has been approved by New Jersey's governor, but will not go into effect until the DGE in New Jersey finishes drafting interactive gaming regulations. The legislation includes a provision for casino games such as slots, blackjack and roulette in addition to poker and allows all existing brick-and-mortar casino operators in the state to apply for a license to offer real money poker and casino games online to anyone within New Jersey state lines. In November 2013, CIE started offering three regulated online real money gaming websites in New Jersey that are using and promoting the Caesars and WSOP brands: www.CaesarsCasino.com, www.HarrahsCasino.com and www.WSOP.com.

Attachment VIII.A.7.a_A2

CAESARS ACQUISITION CO

FORM 10-Q (Quarterly Report)

Filed 11/20/13 for the Period Ending 09/30/13

Address ONE CAESARS PALACE DRIVE
 LAS VEGAS, NV 89109
Telephone 7024076000
 CIK 0001575879
Symbol CACQ
SIC Code 7011 - Hotels and Motels
Fiscal Year 12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 2013

or

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

For the transition period from _____ to _____

Commission File No. 001-36207

CAESARS ACQUISITION COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

46-2672999

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

One Caesars Palace Drive, Las Vegas, Nevada

(Address of principal executive offices)

89109

(Zip Code)

(702) 407-6000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class

Class A Common stock, \$0.001 par value

Outstanding at November 18, 2013

135,771,882

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We have proprietary rights to a number of trademarks used in this Quarterly Report on Form 10-Q that are important to our business, including, without limitation, World Series of Poker (WSOP), Slotomania and Bingo Blitz. In addition, Caesars Entertainment Corporation, our joint venture partner in Caesars Growth Partners, LLC, has proprietary rights to Caesars, Caesars Entertainment and Total Rewards. We have omitted the registered trademark (®) and trademark (™) symbols for such trademarks named in this Quarterly Report on Form 10-Q .

PART I—FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

**CAESARS ACQUISITION COMPANY
BALANCE SHEETS
(UNAUDITED)**

	<u>September 30, 2013</u>	<u>February 25, 2013</u>
Assets		
Cash and cash equivalents	\$ —	\$ —
Total assets	<u>\$ —</u>	<u>\$ —</u>
 Liabilities and Stockholders' Equity		
Commitments and contingencies		
 Stockholders' equity		
Common stock: \$0.001 par value; 300,000,000 Class A shares and 900,000,000 Class B shares authorized at September 30, 2013 and 1,000 shares authorized at February 25, 2013; 0 shares issued and outstanding at each date	\$ —	\$ —
Total liabilities and stockholders' equity	<u>\$ —</u>	<u>\$ —</u>

See accompanying Notes to Financial Statements.

CAESARS ACQUISITION COMPANY
STATEMENTS OF OPERATIONS
(UNAUDITED)

	<u>Quarter Ended September 30, 2013</u>	<u>February 25, 2013 Through September 30, 2013</u>
Revenues	\$ —	\$ —
Operating expenses	—	—
Income before income taxes	—	—
Provision for income taxes	—	—
Net income	<u>\$ —</u>	<u>\$ —</u>

See accompanying Notes to Financial Statements.

CAESARS ACQUISITION COMPANY
STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Quarter Ended September 30, 2013	February 25, 2013 Through September 30, 2013
Net income	\$ —	\$ —
Total other comprehensive income, before income taxes	—	—
Income tax provision related to items of other comprehensive income	—	—
Total other comprehensive income, net of income taxes	—	—
 Total comprehensive income	 \$ —	 \$ —

See accompanying Notes to Financial Statements.

CAESARS ACQUISITION COMPANY
STATEMENT OF STOCKHOLDERS' EQUITY
(UNAUDITED)

	Total
Balance at February 25, 2013	\$ —
Net income	—
Balance at September 30, 2013	\$ —

See accompanying Notes to Financial Statements.

CAESARS ACQUISITION COMPANY
STATEMENT OF CASH FLOWS
(UNAUDITED)

	February 25, 2013 Through September 30, 2013
Cash Flows from operating activities	\$ —
Cash Flows from investing activities	—
Cash Flows from financing activities	—
Net change in cash and cash equivalents	—
Cash and cash equivalents, beginning of period	—
Cash and cash equivalents, end of period	\$ —

See accompanying Notes to Financial Statements.

CAESARS ACQUISITION COMPANY
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

Note 1 — Organization and Nature of Business Operations

Caesars Acquisition Company (the “Company”, “CAC”, “we”, “our” and “us”), a Delaware corporation, was formed on February 25, 2013 to directly own 100% of the voting membership units in Caesars Growth Partners, LLC (“CGP LLC”), a Delaware limited liability company. CGP LLC was formed on July 16, 2013 for the purpose of holding certain businesses and assets of Caesars Entertainment Corporation (“Caesars Entertainment”). As of September 30, 2013, CAC and CGP LLC did not have any operating activities.

On October 21, 2013, the joint venture was formed between subsidiaries of Caesars Entertainment and CAC through the execution of the series of transactions described below:

- (i) The Class A common stock of CAC was made available via a subscription rights offering by Caesars Entertainment to the shareholders of Caesars Entertainment as of October 17, 2013, the record date (the “Offering”), whereby each subscription right entitled its holder to purchase from CAC the same number of shares held of Caesars Entertainment common stock;
- (ii) Affiliates of Apollo Global Management, LLC (“Apollo”) and affiliates of TPG Global, LLC (“TPG” and, together with Apollo, the “Sponsors”) exercised their basic subscription rights in full and purchased \$457.8 million worth of CAC’s Class A common stock at a price of \$8.64 per whole share;
- (iii) CAC used the proceeds from the exercise of basic subscription rights in clause (ii) above to purchase 100% of the voting units of CGP LLC;
- (iv) CGP LLC in turn used \$360.0 million of the proceeds received from CAC in clause (iii) above to purchase from Caesars Entertainment Operating Company, Inc. (“CEO”), a wholly-owned subsidiary of Caesars Entertainment (we refer to the following assets as the “Purchased Assets”):
 - a. the equity interests of a subsidiary of PHW Las Vegas, LLC, which holds all of the assets and liabilities formerly held directly by PHW Las Vegas, LLC, including Planet Hollywood Resort & Casino in Las Vegas (“Planet Hollywood”);
 - b. the equity interests of Caesars Baltimore Investment Company, LLC, which is the entity that indirectly holds interests in the owner of Horseshoe Baltimore in Maryland (the “Maryland Joint Venture”), which is a licensed casino development project expected to open in the third quarter of 2014, and
 - c. a 50% interest in the management fee revenues of PHW Manager, LLC, which manages Planet Hollywood, and Caesars Baltimore Management Company LLC, which holds a management agreement to manage the Maryland Joint Venture; and
- (v) Caesars Entertainment contributed all of the shares of Caesars Interactive Entertainment, Inc.’s (“CIE”) outstanding common stock held by a subsidiary of Caesars Entertainment and approximately \$1.1 billion in aggregate principal amount of senior notes held by a subsidiary of Caesars Entertainment (the “CEO Notes” and, together with the shares of CIE, the “Contributed Assets”) to CGP LLC, in exchange for all of CGP LLC’s non-voting units.

The closing of the Offering for subscription rights not previously exercised by the Sponsors, and for any over-subscription privileges, occurred on November 18, 2013. CAC distributed a total of 135,771,882 shares of Class A common stock to the holders of subscription rights who validly exercised their subscription rights and paid the subscription price in full. CAC received aggregate gross proceeds from the Offering of approximately \$1,173.1 million .

CGP LLC is liable to reimburse Caesars Entertainment and CAC for certain fees and expenses incurred in connection with this transaction.

The distribution of CGP LLC’s voting and non-voting units, the Offering and the contributions to and purchases of business and assets by CGP LLC are collectively referred to as the “Transactions”.

Effective November 19, 2013, as the result of our public offering, our common stock trades on the NASDAQ Global Select Market under the symbol “CACQ”.

Note 2 — Recently Issued Accounting Pronouncements

Requirements for an Emerging Growth Company

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

In addition, Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards such that an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to delay such adoption of new or revised accounting standards, and as a result, we may not comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. As a result, our financial statements may not be comparable to the financial statements of other public companies.

Recently Issued Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued guidance on the reporting of reclassifications out of accumulated other comprehensive income. The guidance requires an entity to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income if the amount is reclassified to net income in its entirety in the same reporting period. We plan to adopt the guidance as of January 1, 2015. As this is a presentation and disclosure requirement, there will be no impact on our financial position, results of operations or cash flows upon adoption.

In February 2013, the FASB issued guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. We plan to adopt the guidance as of January 1, 2015. We are currently assessing what impact, if any, the adoption of this new guidance will have on our financial position, results of operations and cash flows.

In March 2013, the FASB issued new guidance applicable to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The new guidance is effective for us on January 1, 2015. We plan to adopt the guidance prospectively as of January 1, 2015 and will evaluate the impact, if any, that this guidance will have on our financial position, results of operations and cash flows should we sell a part or all of an investment in a foreign entity.

In July 2013, the FASB issued new guidance for the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The new guidance is effective for us on January 1, 2015. We do not expect this new guidance to have a material impact on our financial position or results of operations.

Note 3 — Stockholders' Equity

As of February 25, 2013 (the date of formation), the Company was authorized to issue 1,000 shares of common stock, par value \$0.001. In connection with the Transactions, the Certificate of Incorporation was amended and restated to authorize the Company to issue 1,200,000,000 shares of common stock, par value \$0.001 per share (the "Common Stock"). The Common Stock shall consist of two classes, Class A common stock and Class B common stock. The holders of shares of Class A common stock shall be entitled to one vote for each such share of Class A common stock on all matters to be voted on by the stockholders of the corporation. The holders of shares of Class B common stock shall not be entitled to vote. The Class A common stock consists of 300,000,000 shares and the Class B common stock consists of 900,000,000 shares. No shares of Class A or Class B common stock were issued as of September 30, 2013.

Note 4 — Income Taxes

Prior to the completion of the Transactions, we did not have any taxable income. CAC is subject to the statutory tax jurisdictions of the United States and the State of Maryland. Income taxes will be recorded under the asset and liability method,

whereby deferred tax assets and liabilities will be recognized based on the expected future tax consequences of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and attributable to operating loss and tax credit carryforwards. The carrying amounts of deferred tax assets would be reduced by a valuation allowance if, based on the available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets will be assessed periodically based on the more likely than not realization threshold. This assessment considers, among other matters, the nature, frequency, and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, our experience with operating loss and tax credit carryforwards not expiring unused, and tax planning alternatives.

The effect on the income tax provision and deferred tax assets and liabilities of a change in tax rates will be recognized in income in the period that includes the enactment date. We will classify reserves for tax uncertainties within accrued expenses and deferred credits and other in our Balance Sheets, separate from any related income tax payable, which will also be reported within accrued expenses, or deferred income taxes. Reserve amounts would relate to any potential income tax liabilities resulting from uncertain tax positions, as well as potential interest or penalties associated with those liabilities.

Note 5 — Litigation

From time to time, CAC or Growth Partners may be subject to legal proceedings and claims in the ordinary course of business.

Multiple lawsuits have been filed against CBAC Gaming, LLC (“CBAC”), the City of Baltimore, the Maryland Department of the Environment (“MDE”) and other parties in relation to the proposed location and the development of Horseshoe Baltimore. These cases allege violations of various environmental laws, violations of zoning laws and public nuisance, among other claims. Although CAC and Growth Partners believe that they have adequate defenses to these claims, an adverse judgment could result in additional costs, delays in construction, or injunctions.

In November 2012, the MDE granted approval of the Maryland Joint Venture’s amended Response Action Plan (“RAP”) under MDE’s Voluntary Cleanup Program that named the Maryland Joint Venture, rather than the City of Baltimore, as the party that will implement the RAP and redevelop the proposed location of Horseshoe Baltimore. On February 20, 2013, a group of local residents working with the non-profit Inner Harbor Stewardship Foundation (the “Foundation”) filed a complaint in the Maryland Circuit Court challenging the legality of the MDE’s approval of the amended RAP. In the case, known as *Ruth Sherrill, et al. v. State of Maryland Department of the Environment, et al.*, the Plaintiffs claimed that the amended RAP was approved without complying with the public notice and participation requirements of Maryland law. The Plaintiffs sought additional public notice and participation, and to obtain an injunction on, among other things, any construction activities at the site pending the resolution of the case. On March 14, 2013, the court denied the plaintiffs’ motion for a Temporary Restraining Order and Preliminary Injunction (“TRO”). The plaintiffs’ appeal of the TRO ruling has been dismissed. On April 22, 2013, Plaintiffs filed an Amended Complaint adding a public nuisance claim to their original Complaint. The Maryland Joint Venture filed a motion to dismiss the Plaintiffs’ Amended Complaint and a hearing was held on the motion on June 14, 2013. The Amended Complaint was dismissed on November 6, 2013.

The *Sherrill* plaintiffs issued a notice of intent to file a citizen suit under 42 U.S.C. §§ 6972(a)(1)(A) and (a)(1)(B) of the Resource Conservation and Recovery Act. This notice of intent indicates an intention to sue CBAC, the City of Baltimore, Whiting-Turner, the general contractor for the construction of the Horseshoe Casino, and the Maryland Chemical Company, the former owner and operator of the site. The citizen suit was filed on September 19, 2013, but did not name Whiting-Turner. The defendants filed motions to dismiss on October 15, 2013 for lack of subject matter jurisdiction and failure to state a claim to which plaintiffs responded on November 1, 2013.

The decision of the Board of Municipal Zoning Appeals to grant variances for the site for Horseshoe Baltimore was appealed by separate parties on the basis of alleged procedural irregularities. The appeals were dismissed for lack of standing on October 11, 2013.

On August 1, 2013, ten individuals claiming to represent a class of similarly situated individuals filed a complaint in the U.S. District Court for the Northern District of Maryland against the Maryland Department of the Environment, the City of Baltimore, the U.S. Environmental Protection Agency, CBAC Gaming, LLC, Whiting-Turner Contracting Company, and Urban Green Environmental, LLC. The 11 count complaint alleges that the RAP for the proposed location of Horseshoe Baltimore is inadequate and approved without appropriate public participation. Plaintiffs seek declaratory and injunctive relief, compensatory and punitive damages, and claim violations of civil rights laws and the Clean Water Act, civil conspiracy, and a variety of torts. The plaintiffs also sought a temporary restraining order, which the District Court denied on August 9, 2013. Plaintiffs advised the Court that they intended to amend their complaint within 30 days but did not attempt to do so until

October 30, 2013. The Amended Complaint added 27 plaintiffs and named MDE, the City and the Baltimore Development Corporation, and CBAC as defendants. It was rejected by the Clerk's Office on November 4, 2013 due to plaintiffs' failure to also file a redline comparison with the original Complaint.

From time to time, the City of Baltimore may be subject to legal proceedings asserting claims related to the site. At this time, CAC and Growth Partners have not been named as parties to these proceedings. However, an unfavorable outcome for the City of Baltimore could lead to construction delays if it were determined that corrective action was required and could not be implemented successfully offsite.

Four residents of Baltimore City and County issued a notice of intent to file a citizen suit under 33 U.S.C. § 1365(b) of the Clean Water Act against the City of Baltimore as owner of the site for water pollution alleged to originate there. A lawsuit was filed on behalf of two of the residents on July 2, 2013. The City moved to dismiss the complaint on August 28, 2013. One of the plaintiffs withdrew from the case on October 10, 2013.

Two residents of Baltimore City filed suit against the City of Baltimore, as owner of the site, alleging that the City is in violation of Maryland water pollution laws as a result of groundwater contamination alleged to be migrating from the site. The City was served with the complaint on June 12, 2013. An amended complaint was filed on July 19, 2013, which the City moved to dismiss on August 6, 2013. Plaintiffs dismissed the complaint without prejudice on September 12, 2013.

Note 6 — Subsequent Event

Management Services Agreement with CEOC

Upon closing of the Transaction, CAC entered into a management services agreement with CEOC and CGP LLC pursuant to which CEOC and its subsidiaries provide certain services. The agreement, among other things:

- contemplates that CEOC and its subsidiaries will provide (a) certain corporate services and back office support, including payroll, accounting, risk management, tax, finance, recordkeeping, financial statement preparation and audit support, legal, treasury functions, regulatory compliance, insurance, information systems, office space and corporate and other centralized services and (b) certain advisory and business management services, including developing business strategies, executing financing transactions and structuring acquisitions and joint ventures;
- allows the parties to modify the terms and conditions of CEOC's performance of any of the services and to request additional services from time to time; and
- provides for payment of a service fee to CEOC in exchange for the provision of services, plus a margin of 10% .

EXPLANATORY NOTE

Upon the completion of the Transactions, CAC's sole material asset is its interest in CGP LLC, which will be accounted for using the equity method. As a result, we believe the historical financial statements of the businesses and assets to be contributed to or acquired by CGP LLC (referred to as "Growth Partners") in the Transactions are relevant to the investor because these statements present the historical financial position and results of operations of Growth Partners in greater detail. For accounting purposes, the financial statements of Growth Partners are considered the predecessor to CAC.

These combined financial statements of Growth Partners have been prepared on a stand-alone basis and, as the Transactions are considered a transaction between entities under common control, have been derived from the historical accounting records and consolidated financial statements of Caesars Entertainment. The combined historical financial statements consist of the financial position, results of operations and cash flows of the businesses and assets to be contributed to or acquired by CGP LLC in the Transactions described previously as if those businesses were combined into a reporting entity for all periods presented.

GROWTH PARTNERS
COMBINED CONDENSED BALANCE SHEETS
(UNAUDITED)
(In millions)

	September 30, 2013	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	\$ 203.1	\$ 155.6
Short-term investments	5.0	7.5
Receivables, net of allowance for doubtful accounts of \$6.3 and \$7.6	48.2	37.2
Interest receivable from related party	25.3	9.5
Prepayments and other current assets	12.0	9.1
Deferred tax assets	3.2	1.6
Restricted cash	31.8	4.4
Total current assets	328.6	224.9
Investment in notes from related party	897.3	790.6
Land, property and equipment, net	453.4	420.4
Goodwill	102.7	97.4
Intangible assets other than goodwill, net	172.2	176.7
Restricted cash	229.2	26.2
Deferred charges and other	29.0	2.7
Total assets	\$ 2,212.4	\$ 1,738.9
Liabilities and Equity		
Current liabilities		
Accounts payable	\$ 20.7	\$ 13.9
Payables to related party	46.7	19.5
Accrued expenses	123.4	52.7
Foreign tax payable	5.9	10.9
Current portion of long-term debt to related party	—	7.0
Total current liabilities	196.7	104.0
Long-term debt	690.4	459.8
Long-term debt to related party	39.8	39.8
Convertible notes issued to related party	47.7	47.7
Deferred tax liabilities	149.1	146.3
Deferred credits and other	50.2	32.1
Total liabilities	1,173.9	829.7
Commitments and contingencies (Note 12)		
Redeemable non-controlling interests	4.4	1.3
Equity		
Net parent investment	856.2	777.0
Accumulated other comprehensive income	135.1	116.0
Total Growth Partners equity	991.3	893.0
Non-controlling interests	42.8	14.9
Total equity	1,034.1	907.9
Total liabilities and equity	\$ 2,212.4	\$ 1,738.9

See accompanying Notes to Combined Condensed Financial Statements.

GROWTH PARTNERS
COMBINED CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)
(In millions)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues				
<i>Interactive Entertainment</i>				
Social and mobile games	\$ 74.7	\$ 51.7	\$ 212.0	\$ 142.5
WSOP and online real money gaming	4.2	4.9	9.5	10.9
	<u>78.9</u>	<u>56.6</u>	<u>221.5</u>	<u>153.4</u>
<i>Casino Properties and Developments</i>				
Casino	42.1	42.0	126.7	126.5
Food and beverage	21.9	17.5	64.9	52.3
Rooms	24.1	22.4	73.7	69.6
Other	7.2	4.8	20.8	14.5
Less: casino promotional allowances	(11.8)	(12.6)	(37.0)	(36.5)
	<u>83.5</u>	<u>74.1</u>	<u>249.1</u>	<u>226.4</u>
Net revenues	<u>162.4</u>	<u>130.7</u>	<u>470.6</u>	<u>379.8</u>
Operating expenses				
<i>Interactive Entertainment - Direct</i>				
Platform fees	23.3	16.6	66.4	46.3
<i>Casino Properties and Developments - Direct</i>				
Casino	18.7	20.2	54.6	58.7
Food and beverage	11.3	8.4	31.8	24.9
Rooms	6.8	6.8	19.9	20.8
Property, general, administrative and other	60.5	50.8	184.7	141.7
Depreciation and amortization	11.5	8.1	32.3	24.2
Change in fair value of contingent consideration	—	—	48.9	—
Total operating expenses	<u>132.1</u>	<u>110.9</u>	<u>438.6</u>	<u>316.6</u>
Income from operations	30.3	19.8	32.0	63.2
Interest expense, net of interest capitalized	(15.8)	(10.0)	(36.1)	(31.9)
Interest income - related party	44.9	37.0	128.0	106.4
Loss on extinguishment of debt	(0.3)	—	(0.5)	—
Other income/(expense), net	—	0.6	0.3	1.5
Income before income taxes	59.1	47.4	123.7	139.2
Provision for income taxes	(18.5)	(17.2)	(37.6)	(49.0)
Net income	40.6	30.2	86.1	90.2
Less: net loss/(income) attributable to non-controlling interests	3.2	(0.7)	4.3	(1.0)
Net income attributable to Growth Partners	<u>\$ 43.8</u>	<u>\$ 29.5</u>	<u>\$ 90.4</u>	<u>\$ 89.2</u>

See accompanying Notes to Combined Condensed Financial Statements.

GROWTH PARTNERS
COMBINED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)
(In millions)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income	\$ 40.6	\$ 30.2	\$ 86.1	\$ 90.2
Other comprehensive income/(loss), net of income taxes:				
Unrealized gain/(loss) on investments in notes from related party	13.7	(16.0)	19.1	103.1
Total other comprehensive income/(loss)	13.7	(16.0)	19.1	103.1
Comprehensive income	54.3	14.2	105.2	193.3
Less: net loss/(income) attributable to non-controlling interests	3.2	(0.7)	4.3	(1.0)
Comprehensive income attributable to Growth Partners	\$ 57.5	\$ 13.5	\$ 109.5	\$ 192.3

See accompanying Notes to Combined Condensed Financial Statements.

GROWTH PARTNERS
COMBINED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(In millions)

	Net Parent Investment	Accumulated Other Comprehensive Income	Non-controlling Interests	Receivables from Caesars Interactive Shareholder	Total Equity
Balance at January 1, 2012	\$ 628.1	\$ 3.9	\$ 9.5	\$ —	\$ 641.5
Net income	89.2	—	1.2	—	90.4
Issuance of Caesars Interactive common stock	31.8	—	—	—	31.8
Minimum guaranteed receipt from issuance of Caesars Interactive common stock	10.0	—	—	(10.0)	—
Settlement of receivable from Caesars Interactive shareholder	(10.0)	—	—	10.0	—
Stock-based compensation	2.2	—	—	—	2.2
Capital contribution	5.4	—	4.5	—	9.9
Unrealized gain on investments in notes from related party, net of tax	—	103.1	—	—	103.1
Transfers to Parent	(11.6)	—	—	—	(11.6)
Balance at September 30, 2012	<u>\$ 745.1</u>	<u>\$ 107.0</u>	<u>\$ 15.2</u>	<u>\$ —</u>	<u>\$ 867.3</u>
Balance at January 1, 2013	\$ 777.0	\$ 116.0	\$ 14.9	\$ —	\$ 907.9
Net income/(loss)	90.4	—	(3.9)	—	86.5
Issuance of Caesars Interactive common stock	0.6	—	—	—	0.6
Purchase of Caesars Interactive Management Shares	(9.9)	—	—	—	(9.9)
Stock-based compensation	(0.2)	—	—	—	(0.2)
Capital contributions	38.0	—	31.8	—	69.8
Unrealized gain on investments in notes from related party, net of tax	—	19.1	—	—	19.1
Transfers to Parent	(39.7)	—	—	—	(39.7)
Balance at September 30, 2013	<u>\$ 856.2</u>	<u>\$ 135.1</u>	<u>\$ 42.8</u>	<u>\$ —</u>	<u>\$ 1,034.1</u>

See accompanying Notes to Combined Condensed Financial Statements.

GROWTH PARTNERS
COMBINED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In millions)

	Nine Months Ended September 30,	
	2013	2012
Cash flows from operating activities		
Net income	\$ 86.1	\$ 90.2
Adjustments to reconcile net income to cash flows provided by operating activities		
Depreciation and amortization	32.3	24.2
Amortization of debt discount	17.2	15.9
Loss on early extinguishments of debt	0.5	—
Change in fair value of contingent consideration	48.9	—
Accretion of discount on investments in notes from related party	(77.0)	(55.5)
Paid-in-kind interest	(0.3)	(0.3)
Stock-based compensation expense	12.2	11.6
Net change in deferred income taxes	(8.2)	9.4
Net change in long-term accounts	(5.4)	(1.5)
Net change in working capital accounts	(0.6)	2.0
Other non-cash items	(0.7)	—
Cash flows provided by operating activities	105.0	96.0
Cash flows from investing activities		
Land, buildings and equipment additions, net of change in construction payables	(50.3)	(11.1)
Acquisitions of intangible assets	(0.6)	—
Purchase of short term investments	(5.0)	(7.5)
Sale of short term investments	7.5	8.0
Purchase of investments in notes from related party	—	(3.2)
Payments to acquire business, net of cash acquired	(7.2)	(7.5)
Proceeds received from sale of assets	—	0.1
Change in restricted cash	(230.4)	(4.2)
Cash flows used in investing activities	(286.0)	(25.4)
Cash flows from financing activities		
Issuance of Caesars Interactive common stock and warrant	0.6	32.3
Purchase of Caesars Interactive management shares	(9.9)	—
Capital contributions	73.3	10.4
Issuance of convertible note	—	28.5
Debt issuance costs and fees	(10.8)	—
Proceeds on guarantee from parent	9.1	—
Proceeds from issuance of long-term debt	218.5	—
Payments on long-term debt to related party	(7.0)	(103.1)
Repayments under lending agreements	(5.6)	—
Transfers to parent	(39.7)	(11.6)
Cash flows provided by/(used in) financing activities	228.5	(43.5)
Net increase in cash and cash equivalents	47.5	27.1
Cash and cash equivalents, beginning of period	155.6	110.1
Cash and cash equivalents, end of period	\$ 203.1	\$ 137.2

See accompanying Notes to Combined Condensed Financial Statements.

GROWTH PARTNERS
NOTES TO COMBINED CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1 — Background and Basis of Presentation

Organization and Transaction

Caesars Acquisition Company ("CAC" and the "Company"), a Delaware corporation, was formed on February 25, 2013 to directly own 100% of the voting membership units in Caesars Growth Partners, LLC ("CGP LLC"), a Delaware limited liability company. CGP LLC was formed on July 16, 2013 for the purpose of holding certain businesses and assets of Caesars Entertainment Corporation ("Caesars Entertainment"). As of September 30, 2013, CAC and CGP LLC did not have any operating activities.

On October 21, 2013, the joint venture was formed between subsidiaries of Caesars Entertainment and CAC through the execution of the series of transactions described below:

- (i) The Class A common stock of CAC was made available via a subscription rights offering by Caesars Entertainment to the shareholders of Caesars Entertainment as of October 17, 2013, the record date (the "Offering"), whereby each subscription right entitled its holder to purchase from CAC the same number of shares held of Caesars Entertainment common stock;
- (ii) Affiliates of Apollo Global Management, LLC ("Apollo") and affiliates of TPG Global, LLC ("TPG" and, together with Apollo, the "Sponsors") exercised their basic subscription rights in full and purchased \$457.8 million worth of CAC's Class A common stock at a price of \$8.64 per whole share;
- (iii) CAC used the proceeds from the exercise of basic subscription rights in clause (ii) above to purchase 100% of the voting units of CGP LLC;
- (iv) CGP LLC in turn used \$360.0 million of the proceeds received from CAC in clause (iii) above to purchase from Caesars Entertainment Operating Company, Inc. ("CEOc"), a wholly-owned subsidiary of Caesars Entertainment (we refer to the following assets as the "Purchased Assets"):
 - a. the equity interests of a subsidiary of PHW Las Vegas, LLC, which holds all of the assets and liabilities formerly held directly by PHW Las Vegas, LLC, including Planet Hollywood Resort & Casino in Las Vegas ("Planet Hollywood"),
 - b. the equity interests of Caesars Baltimore Investment Company, LLC, which is the entity that indirectly holds interests in the owner of Horseshoe Baltimore in Maryland (the "Maryland Joint Venture"), which is a licensed casino development project expected to open in the third quarter of 2014, and
 - c. a 50% interest in the management fee revenues of PHW Manager, LLC, which manages Planet Hollywood, and Caesars Baltimore Management Company LLC, which holds a management agreement to manage the Maryland Joint Venture; and
- (v) Caesars Entertainment contributed all of the shares of Caesars Interactive Entertainment, Inc.'s ("CIE" or "Caesars Interactive") outstanding common stock held by a subsidiary of Caesars Entertainment and approximately \$1.1 billion in aggregate principal amount of senior notes held by a subsidiary of Caesars Entertainment (the "CEOc Notes" and, together with the shares of CIE, the "Contributed Assets") to CGP LLC, in exchange for all of CGP LLC's non-voting units.

The closing of the Offering for subscription rights not previously exercised by the Sponsors, and for any over-subscription privileges, occurred on November 18, 2013. CAC distributed a total of 135,771,882 shares of Class A common stock to the holders of subscription rights who validly exercised their subscription rights and paid the subscription price in full. CAC received aggregate gross proceeds from the Offering of approximately \$1,173.1 million .

Also on October 21, 2013, the aggregate fair market value of the subscription rights issued by Caesars Entertainment was restored to Caesars Entertainment through a return of senior notes previously issued by CEOc from CGP LLC. The amount of the restoration was approximately \$20.7 million .

CGP LLC is liable to reimburse Caesars Entertainment and CAC for certain fees and expenses incurred in connection with this transaction.

GROWTH PARTNERS
NOTES TO COMBINED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

The distribution of CGP LLC's voting and non-voting units, the Offering and the contributions to and purchases of business and assets by CGP LLC are collectively referred to as the "Transactions". The entities and assets contributed to or purchased by CGP LLC are collectively referred to as "Growth Partners".

Growth Partners has two reportable segments: Interactive Entertainment and Casino Properties and Developments. The Interactive Entertainment segment consists of the Caesars Interactive business and the Casino Properties and Developments segment consists primarily of the Planet Hollywood business along with the interest in Horseshoe Baltimore.

Basis of Presentation and Combination

The combined condensed financial statements have been prepared on a stand-alone basis and, as the Transaction is considered a transaction between entities under common control, have been derived from the historical accounting records and consolidated financial statements of Caesars Entertainment. The combined condensed historical financial statements consist of the financial position, results of operations and cash flows of the businesses and assets to be contributed to or acquired by CGP LLC in the Transaction described previously as if those businesses were combined into a reporting entity for all periods presented. The combined condensed historical financial statements reflect Growth Partners' financial position, results of operations and cash flows as we were historically managed, in accordance with accounting principles generally accepted in the United States ("GAAP"). The combined condensed historical financial statements include all revenues, costs, assets and liabilities directly attributable to us.

The accompanying unaudited combined condensed financial statements of Growth Partners have been prepared under the rules and regulations of the Securities and Exchange Commission ("SEC") applicable for interim periods and, therefore, do not include all information and footnotes necessary for complete financial statements in conformity with GAAP. The results for the interim periods reflect all adjustments (consisting primarily of normal recurring adjustments) that management considers necessary for a fair presentation of financial position, results of operations, and cash flows.

The results of operations for Growth Partners' interim periods are not necessarily indicative of the results of operations that may be achieved for the entire 2013 fiscal year.

The accompanying combined condensed financial statements also include allocations of certain Caesars Entertainment general corporate expenses in accordance with shared services agreements under which Caesars Entertainment and its subsidiaries provide services to both Caesars Interactive and Planet Hollywood. These allocations of general corporate expenses may not reflect the expense Growth Partners would have incurred if it were a stand-alone company nor are they necessarily indicative of Growth Partners' future costs. Management believes the assumptions and methodologies used in the allocation of general corporate expenses from Caesars Entertainment are reasonable. Given the nature of these costs, it is not practicable for Growth Partners to estimate what these costs would have been on a stand-alone basis.

Transactions between Caesars Entertainment and Growth Partners have been identified in the combined condensed historical financial statements and the notes thereto as transactions between related parties (see Note 19 — Related Party Transactions).

Use of Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the combined condensed financial statements and notes thereto. Significant estimates and assumptions reflected in Growth Partners' combined condensed historical financial statements include, but are not limited to, the estimated consumption rate of virtual goods that it uses for revenue recognition within the Interactive Entertainment segment, useful lives of property, equipment and amortizing intangible assets, income taxes, accounting for stock-based compensation, the valuation of contingent consideration and the evaluation of goodwill and long-lived assets for impairment. Management believes the accounting estimates are appropriate and reasonably determined. However, due to the inherent uncertainties in making these estimates, actual amounts could differ from such estimates.

GROWTH PARTNERS
NOTES TO COMBINED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

Note 2 — Recently Issued Accounting Pronouncements

Effective January 1, 2013, the Financial Accounting Standards Board ("FASB") issued new guidance on the reporting of reclassifications out of accumulated other comprehensive income. The guidance requires an entity to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income if the amount is reclassified to net income in its entirety in the same reporting period. As this is a presentation and disclosure requirement, there was no impact on Growth Partners' combined condensed financial position, results of operations or cash flows upon adoption.

In February 2013, the FASB issued new guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. The new guidance is effective for Growth Partners on January 1, 2014. Growth Partners is currently assessing what impact, if any, the adoption of this new guidance will have on its consolidated financial position, results of operations and cash flows.

In March 2013, the FASB issued new guidance applicable to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The new guidance is effective for Growth Partners on January 1, 2014. Growth Partners plans to adopt the guidance prospectively as of January 1, 2014 and will evaluate the impact, if any, that this guidance will have on its consolidated financial position, results of operations and cash flows should it sell a part or all of an investment in a foreign entity.

In July 2013, the FASB issued new guidance for the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carry-forward exists. The new guidance is effective for Growth Partners on January 1, 2014. Growth Partners does not expect this new guidance to have a material impact on its consolidated financial position or results of operations.

Note 3 — Development and Acquisition Activity

Horseshoe Baltimore

Pursuant to the Maryland Joint Venture definitive agreements, capital calls were made to all members in April 2013 and June 2013 for an aggregate amount of \$73.3 million to fund the ongoing development activities and capitalization requirements for financing of the joint venture. In accordance with Growth Partners' ownership interests in the Maryland Joint Venture, its portion of the capital contribution amounted to an aggregate total of approximately \$38.0 million , which was paid by Caesars Entertainment and appears as a capital contribution within net parent investment on Growth Partners' Combined Condensed Statements of Equity.

Other

In May 2013, CIE acquired the *World Series of Poker* social and mobile game assets and intellectual property from Electronic Arts, Inc. In August 2013, CIE acquired an online gaming development business based in the Ukraine. Assets acquired and liabilities assumed in these transactions were not material to Growth Partners' financial statements.

GROWTH PARTNERS
NOTES TO COMBINED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

Note 4 — Land, Property and Equipment, net

Land, property and equipment, net consists of the following:

<u>(In millions)</u>	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Land and land improvements	\$ 96.1	\$ 91.7
Building and improvements	306.2	304.8
Furniture, fixtures and equipment	96.6	86.3
Construction in progress	45.1	8.1
	544.0	490.9
Less: accumulated depreciation	(90.6)	(70.5)
	<u>\$ 453.4</u>	<u>\$ 420.4</u>

The aggregate depreciation expense for property and equipment is reflected in Depreciation and Amortization in the Combined Condensed Statements of Operations and was \$7.1 million and \$6.5 million for the quarters ended September 30, 2013 and 2012, respectively. For the nine months ended September 30, 2013 and 2012, the aggregate depreciation expense was \$20.8 million and \$19.3 million, respectively.

Note 5 — Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill were as follows:

<u>(In millions)</u>	<u>Interactive Entertainment</u>	<u>Casino Properties and Development</u>	<u>Total</u>
Balance at January 1, 2013	\$ 72.2	\$ 25.2	\$ 97.4
Acquisitions	5.3	—	5.3
Balance at September 30, 2013	<u>\$ 77.5</u>	<u>\$ 25.2</u>	<u>\$ 102.7</u>

The following table provides the gross carrying amount and accumulated amortization for each major class of intangible assets other than goodwill:

<u>(Dollars in millions)</u>	<u>Weighted Average Remaining Useful Life (in years)</u>	<u>September 30, 2013</u>			<u>December 31, 2012</u>		
		<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Amortizing intangible assets							
Developed technology	3.9	\$ 44.5	\$ (12.8)	\$ 31.7	\$ 40.9	\$ (6.5)	\$ 34.4
Customer relationships / user base	2.7	16.9	(8.1)	8.8	15.1	(4.0)	11.1
Other intangible assets	9.8	12.3	(1.8)	10.5	10.7	(0.7)	10.0
		<u>\$ 73.7</u>	<u>\$ (22.7)</u>	<u>\$ 51.0</u>	<u>\$ 66.7</u>	<u>\$ (11.2)</u>	<u>\$ 55.5</u>
Non-amortizing intangible assets							
Trade name				98.7			98.7
Baltimore gaming license				22.5			22.5
				<u>121.2</u>			<u>121.2</u>
Total intangible assets other than goodwill				<u>\$ 172.2</u>			<u>\$ 176.7</u>

In addition to CIE's acquisition of the *World Series of Poker* social and mobile game assets and intellectual property, purchase price allocation adjustments resulting in reclassifications between intangible asset categories during the three months ended September 30, 2013, which have been reflected in the table above.

GROWTH PARTNERS
NOTES TO COMBINED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

The aggregate amortization expense for those intangible assets that are amortized is reflected in Depreciation and Amortization in the Combined Condensed Statements of Operations and was \$4.4 million and \$1.6 million for the quarter ended September 30, 2013 and 2012, respectively. For the nine months ended September 30, 2013 and 2012, the aggregate amortization expense was \$11.5 million and \$4.9 million, respectively.

Each year Growth Partners performs a preliminary annual impairment assessment of goodwill and other non-amortizing intangible assets as of September 30 or more frequently if impairment indicators exist. No impairment charge was indicated for the quarter ended September 30, 2013 and 2012, or the nine months ended September 30, 2013 and 2012.

Note 6 — Accrued Expenses

Accrued expenses consisted of the following:

<u>(In millions)</u>	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Contingent consideration (1)	\$ 55.0	\$ 5.6
Payroll and other compensation	14.7	12.0
Deferred Revenue, Deposits and customer funds liability, including advance hotel deposits	12.2	8.4
Accrued non-income taxes	4.0	6.0
Share-based payment obligations	3.8	—
Self-insurance claims and reserves	3.0	3.0
Interest payable	7.9	1.2
Other accruals	22.8	16.5
	\$ 123.4	\$ 52.7

⁽¹⁾ Contingent consideration related to acquisitions (See Note 11 — Fair Value Measurements).

Note 7 — Debt

The following table presents Growth Partners' outstanding debt, excluding capital lease obligations, as of September 30, 2013 and December 31, 2012:

<u>(In millions)</u>	<u>Maturity</u>	<u>September 30, 2013</u>		
		<u>Rate</u>	<u>Face Value</u>	<u>Book Value</u>
Planet Hollywood Amended and Restated Loan Agreement	2015*	3.04%	\$ 510.0	\$ 471.9
Baltimore Credit Facility	2020	8.25%	225.0	218.5
			\$ 735.0	\$ 690.4

	<u>Maturity</u>	<u>December 31, 2012</u>		
		<u>Rate</u>	<u>Face Value</u>	<u>Book Value</u>
Planet Hollywood Amended and Restated Loan Agreement	2015*	3.07%	\$ 515.5	\$ 459.7

*The loan contains an extension option to move its maturity from 2013 to 2015, subject to certain conditions described below, which Growth Partners has assumed will be exercised.

Planet Hollywood Amended and Restated Loan Agreement

In connection with the 2010 acquisition of Planet Hollywood and the related assumption of debt, Planet Hollywood entered into the Amended and Restated Loan Agreement with Wells Fargo Bank, N.A., as trustee for The Credit Suisse First Boston Mortgage Securities Corp. Commercial Mortgage Pass-Through Certificates, Series 2007-TFL2 (the "Lender"). The loan contains an additional extension option which, if exercised, would extend its maturity until April 2015. The conditions to extend the maturity date are (i) no default or event of default on the date that notice of the extension is given and on the first extended maturity date of December 9, 2013, (ii) notice of the election of the extension, (iii) the purchase of an interest rate cap (or provision of an acceptable alternative letter of credit or other support) with a strike price such that the Debt Service Coverage Ratio is at least 1.10 :1.00 as of the first extended maturity date and (iv) the ratio of (a) the Adjusted Net

Cash Flow (defined as gross income from operations less operating expenses less 3% of gross income from operations) for the trailing twelve calendar month period to (b) the outstanding principal balance of the loan as of the first extended maturity date is not

GROWTH PARTNERS
NOTES TO COMBINED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

less than 9% . This senior secured loan is secured by the assets of PHW Las Vegas, LLC and is classified as long-term in the combined condensed financial statements as Growth Partners has both the intent and ability to exercise the extension option.

The loan contains customary affirmative covenants, subject to certain exceptions, requiring Planet Hollywood to, among other things, deliver annual financial statements, annual budgets, maintain its properties, maintain its books and records, maintain insurance, and comply with laws and material contracts.

The loan contains customary negative covenants, subject to certain exceptions, restricting or limiting the ability of Planet Hollywood to, among other things, dispose of its assets and change its business or ownership, consummate mergers or acquisitions and create liens on its assets.

Management believes that Growth Partners is in compliance with the Planet Hollywood Amended and Restated Loan Agreement covenants as of September 30, 2013.

Planet Hollywood may, at its option, voluntarily prepay the loan in whole or in part upon twenty (20) days prior written notice to Lender. Planet Hollywood is required to prepay the loan in (i) the amount of any insurance proceeds received by Lender for which Lender is not obligated to make available to Planet Hollywood for restoration in accordance with the terms of the Amended and Restated Loan Agreement, (ii) the amount of any proceeds received from the operator of the timeshare property adjacent to Planet Hollywood Resort and Casino, subject to the limitations set forth in the Amended and Restated Loan Agreement, and (iii) the amount of any excess cash remaining after application of the cash management provisions of the Amended and Restated Loan Agreement.

In connection with Planet Hollywood's Amended and Restated Loan Agreement, Caesars Entertainment entered into a Guaranty Agreement (the "Guaranty") for the benefit of the Lender, pursuant to which Caesars Entertainment guaranteed to the Lender certain recourse liabilities of Planet Hollywood. Caesars Entertainment's maximum aggregate liability for such recourse liabilities is limited to \$30.0 million , provided that such recourse liabilities of Planet Hollywood do not arise from (i) events, acts, or circumstances that are actually committed by, or voluntarily or willfully brought about by, Caesars Entertainment or (ii) event, acts, or circumstances (regardless of the cause of the same) that provide actual benefit (in cash, cash equivalent, or other quantifiable amount) to Planet Hollywood, to the full extent of the actual benefit received by Planet Hollywood. Pursuant to the Guaranty, Caesars Entertainment is required to maintain a net worth or liquid assets of at least \$100.0 million .

Horseshoe Baltimore Credit and FF&E Facilities

CBAC Borrower, LLC ("CBAC"), an indirect wholly-owned subsidiary of the Maryland Joint Venture, entered into a credit agreement (the "Baltimore Credit Facility") in order to finance the acquisition of land in Baltimore, Maryland and the construction of the Horseshoe Baltimore and a garage (collective, the "Baltimore Development"). The Baltimore Credit Facility provides for (i) a \$300.0 million senior secured term facility with a seven -year maturity, which is comprised of a \$225.0 million facility that was funded on July 2, 2013 upon the closing of the Baltimore Credit Facility, a \$37.5 million delayed draw facility available from the closing of the Baltimore Credit Facility until the 12-month anniversary of the closing and a \$37.5 million delayed draw facility available until the 18-month anniversary of the closing and (ii) a \$10.0 million senior secured revolving facility with a five -year maturity. The Baltimore Credit Facility is secured by substantially all material assets of CBAC and its wholly owned domestic subsidiaries. In connection with the foregoing, Caesars Baltimore Investment Company, LLC ("Caesars Baltimore") and the other joint venture partners, which are Rock Gaming Mothership LLC ("Rock Gaming"), CVRP Gaming Holdings, LLC, CVRP Gaming Holdings, LLC, STRON-MD Limited Partnership and PRT Two, LLC, each provides, on a several and not joint basis, a completion guarantee with respect to the Baltimore Development, which guarantees completion of the construction of the Baltimore Development, availability of contemplated working capital and the discharge, bonding or insuring over of certain liens in connection with the Baltimore Development. The maximum liability of Caesars Baltimore under its completion guarantee is approximately \$9.1 million .

The Baltimore Credit Facility contains customary affirmative covenants, subject to certain exceptions, requiring CBAC to, among other things, deliver annual and quarterly financial statements (following the commencement of operations of the Baltimore Development), annual budgets, construction progress reports and other notices, maintain its properties, maintain its books and records, maintain insurance, use commercially reasonable efforts to maintain a public rating for the term loans and comply with laws and material contracts.

The Baltimore Credit Facility contains customary negative covenants, subject to certain exceptions, restricting or limiting the ability of CBAC to, among other things, dispose of its assets and change its business or ownership, consummate mergers or acquisitions, make dividends, stock repurchases and optional redemptions of subordinated debt, incur debt and issue preferred stock, make loans and investments, create liens on its assets and enter into transactions with affiliates. In addition, the Baltimore

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Credit Facility includes a covenant prohibiting the senior secured leverage ratio from exceeding a specified ratio at any time after the second full fiscal quarter ending after the commencement of operations of the Baltimore Development.

Concurrently with the closing of the Baltimore Credit Facility, CBAC entered into an equipment financing term loan facility for up to \$30.0 million (the “Baltimore FF&E Facility”). Under the Baltimore FF&E Facility, CBAC may use funds from the facility to finance or reimburse the purchase price and certain related costs of furniture, furnishings, and equipment (referred to as “FF&E”) to be used in the Baltimore Development. Proceeds of the Baltimore FF&E Facility will also be available to refinance the purchase price of FF&E purchased with other amounts available to CBAC. Draws under the Baltimore FF&E Facility may be made after the closing date and prior to the 18-month anniversary of the closing date, provided that a final draw of the unused commitment amount will be deposited into an escrow account pledged to the collateral agent for the Baltimore FF&E Facility at the end of the commitment period, and such funds will be available for subsequent financing of FF&E purchases. CBAC is not permitted to reduce to the commitments under the FF&E Facility. The Baltimore FF&E Facility will mature five years and six months after the closing of the facility. No debt has been drawn from the FF&E Facility as of September 30, 2013.

The Baltimore FF&E Facility has covenants and events of default substantially consistent with the Baltimore Credit Facility, and other restrictive covenants customary for FF&E facilities of this type.

Management believes that Growth Partners is in compliance with the Baltimore Credit Facility and Baltimore FF&E Facility covenants as of September 30, 2013.

Interest and Fees

The amount outstanding under the Planet Hollywood senior secured loan bears interest at a rate per annum equal to the London Inter-Bank Offered Rate (“LIBOR”) plus 2.859% . A subsidiary of CEOC owns an interest-only participations in a portion of the PHW Las Vegas, LLC senior secured loan that is entitled to interest at a fixed rate equal to 1.59% per year.

For the Baltimore Credit Facility, borrowings bear interest at a rate equal to the then current adjusted LIBOR or at a rate equal to the alternate base rate, in each case, plus an applicable margin. The adjusted LIBOR is equal to the greater of (i) 1.25% and (ii) the LIBOR in effect for such interest period. In addition, on a quarterly basis, CBAC is required to pay each lender (i) a 0.50% commitment fee in respect any unused commitments under the revolving credit facility, (ii) a 0.125% fronting fee in respect of the aggregate face amount outstanding letters of credit under the revolving credit facility and (iii) a 2.25% commitment fee in respect of unfunded commitments under the delayed draw facility until termination of such commitments. As of September 30, 2013, there were no borrowings under the revolving credit facility and loans under the term facility bore interest at 8.25% .

For the Baltimore FF&E Facility, the loan bears an interest rate at a floating rate per annum equal to the adjusted LIBOR plus 7.5% . The adjusted LIBOR will be determined by the administrative agent and will equal to the greater of (i) the LIBOR in effect for such interest period multiplied by statutory reserves and (ii) 1.25% . As of September 30, 2013, there were no borrowings under the Baltimore FF&E Facility.

Note 8 — Financial Instruments

Restricted Cash

The total balance in Restricted cash at September 30, 2013 and December 31, 2012 was \$261.0 million and \$30.6 million , respectively, which includes cash restricted under both the Planet Hollywood Amended and Restated Loan Agreement and the Baltimore Credit Facility.

The Planet Hollywood Amended and Restated Loan Agreement requires that Planet Hollywood maintain certain reserves for payment of property taxes, insurance, interest and ongoing furniture, fixtures and equipment purchases or property improvements. Amounts deposited into the specified reserve funds under this agreement represent restricted cash and aggregated \$41.4 million and \$30.6 million , respectively at September 30, 2013 and December 31, 2012. The classification between current and long-term is dependent upon the intended use of each specific reserve balance.

In connection with amounts borrowed under the Baltimore Credit Facility, construction obligations associated with the Baltimore Development, and the completion guarantee (see Note 7 — Debt), Growth Partners has recorded \$23.2 million and \$196.3 million , respectively, of short-term and long-term restricted cash at September 30, 2013. There were no corresponding balances as of December 31, 2012.

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CIE Convertible Notes

In March 2012, Rock Gaming and CIE entered into an agreement pursuant to which Rock Gaming purchased approximately 6,155 shares of CIE common stock for \$30.4 million in cash and agreed to purchase additional shares of CIE common stock on or before July 2, 2012. CIE used the proceeds from this sale to prepay a portion of the then outstanding balance on an unsecured credit facility with Caesars Entertainment (see Note 19 — Related Party Transactions).

In June 2012, CIE and Rock Gaming modified the agreement with Rock Gaming such that CIE issued to Rock Gaming approximately 382 shares of CIE common stock and a promissory note for \$28.5 million in exchange for \$30.4 million in cash. The promissory note is convertible into approximately 5,773 shares of CIE common stock. In November 2012, CIE issued to Rock Gaming an additional promissory note for \$19.2 million in exchange for \$19.2 million in cash. The additional promissory note is convertible into approximately 3,140 shares of CIE common stock. The ability to convert the promissory notes into shares is subject to the satisfaction of certain specified criteria and both promissory notes are classified as long-term in our Combined Condensed Balance Sheets at September 30, 2013 and December 31, 2012.

Derivative Instruments

Growth Partners had no derivatives designated as hedging instruments at either September 30, 2013 or December 31, 2012. The effect of derivative instruments in the Combined Condensed Statements of Operations for the nine months ended September 30, 2013 and 2012 was immaterial.

Note 9 — Equity and Non-Controlling Interests

Net parent investment

Net parent investment represents the cumulative net investment by Caesars Entertainment in Growth Partners, including any prior net income or loss or other comprehensive income or loss attributed to Growth Partners and contributions received from or distributions made to Caesars Entertainment. Current domestic income tax liabilities are deemed to be remitted in cash to Caesars Entertainment in the period the related income tax expense is recorded. Certain transactions between Growth Partners and other related parties that are wholly-owned subsidiaries of Caesars Entertainment, including allocated expenses and settlement of intercompany transactions, are also included in net parent investment.

Cash received as interest on investments in notes from related party is transferred back to Caesars Entertainment. Such transfers are recorded as equity transactions, net of associated tax, and included as a component of net parent investment. Growth Partners treats these net distributions to Caesars Entertainment as financing transactions in its statements of cash flows.

Non-controlling interest

As of September 30, 2013 and 2012, STRON-MD Limited Partnership holds 4.8% of the Horseshoe Baltimore joint venture. Their non-controlling interest contains an embedded put feature that may cause us, at any time, to purchase all of STRON-MD Limited Partnership's interest in Horseshoe Baltimore either at cost prior to the commencement of the planned casino's operations, or at fair market value after the commencement of operations. This election is at the option of the holder, which is therefore not within the control of the issuer. As such, for accounting purposes, their ownership interest is presented as redeemable non-controlling interest presented outside of permanent equity on the Combined Condensed Balance Sheets.

The changes in the carrying amount of Redeemable non-controlling interests were as follows (in millions):

Balance as of January 1, 2012	\$ 1.1
Net loss attributable to redeemable non-controlling interests	(0.3)
Capital contribution to Horseshoe Baltimore	0.5
Balance as of December 31, 2012	<u><u>\$ 1.3</u></u>
Balance as of January 1, 2013	\$ 1.3
Net loss attributable to redeemable non-controlling interests	(0.4)
Capital contribution to Horseshoe Baltimore	3.5
Balance as of September 30, 2013	<u><u>\$ 4.4</u></u>

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Net loss attributable to redeemable non-controlling interests from the Horseshoe Baltimore joint venture for the nine months ended September 30, 2013 and 2012 was recognized in the Combined Condensed Statements of Operations, but was not recognized in the Combined Condensed Statements of Equity as it was accounted for as mezzanine equity during the respective periods.

The following is a summary of Growth Partners' net (loss)/income attributable to non-controlling interests for both the quarters ended September 30, 2013 and 2012 and the nine months ended September 30, 2013 and 2012:

(In millions)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net loss attributable to redeemable non-controlling interests	\$ (0.3)	\$ (0.1)	\$ (0.4)	\$ (0.2)
Net (loss)/income attributable to non-controlling interests	(2.9)	0.8	(3.9)	1.2
<i>As presented on the Combined Condensed Statements of Operations</i>				
Net (loss)/income attributable to non-controlling interests	\$ (3.2)	\$ 0.7	\$ (4.3)	\$ 1.0

Pursuant to the Horseshoe Baltimore definitive agreements, capital calls were made in April and June 2013 for an aggregate amount of \$73.3 million to fund the ongoing development activities and capitalization requirements for financing of the joint venture. In line with Growth Partners' ownership interests in Horseshoe Baltimore, its portion of the capital contribution amounted to an aggregate total of approximately \$38.0 million , which was paid by Caesars Entertainment and appears as a capital contribution within net parent investment on Growth Partners' Combined Condensed Statements of Equity.

Accumulated other comprehensive income

Accumulated other comprehensive income consists of unrealized gain on investments in notes from related party as of September 30, 2013 and December 31, 2012 (see Note 19 — Related Party Transactions), net of taxes. For the nine months ended September 30, 2013, there were no amounts reclassified out of Accumulated other comprehensive income.

Note 10 — Income Taxes

Total income taxes were allocated as follows:

(In millions)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Income tax expense on income before income taxes	\$ (18.5)	\$ (17.2)	\$ (37.6)	\$ (49.0)
Accumulated other comprehensive income/(loss)	7.4	(8.6)	10.3	55.5

Growth Partners classifies reserves for tax uncertainties within accrued expenses and deferred credits and other in its Combined Condensed Balance Sheets, separate from any related income tax payable or deferred income taxes. Reserve amounts relate to any potential income tax liabilities resulting from uncertain tax positions as well as potential interest or penalties associated with those liabilities.

Growth Partners has no uncertain tax positions as of September 30, 2013. The tax years that remain open for examination for Growth Partners' major jurisdictions are 2009 through 2012 for the U.S. and Canada and 2010 through 2012 for Israel.

The effective tax rate for the three months ended September 30, 2013 and 2012 was 31.3% and 36.3% , respectively. The effective tax in the third quarter of 2013 was lower than 2012 primarily due to the benefit of lower foreign tax rates on foreign earnings relative to the quarterly earnings of Growth Partners.

The effective tax rate for the nine months ended September 30, 2013 and 2012 was 30.4% and 35.2% , respectively. The primary cause for the difference from the federal statutory rate of 35% is due to tax benefits from foreign earnings taxed at lower rates and from a favorable tax ruling in Israel received in February 2013.

Growth Partners files income tax returns, including returns for its subsidiaries, with federal, state, and foreign jurisdictions. Growth Partners is under regular and recurring audit by the Internal Revenue Service on open tax positions, and it is possible that the amount of the liability for unrecognized tax benefits could change during the next twelve months.

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Note 11 — Fair Value Measurements

The fair value hierarchy defines fair value as an exit price, representing the amount that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based upon assumptions that market participants would use in pricing an asset or liability. The fair value hierarchy establishes three tiers, which prioritize the inputs used in measuring fair value as follows:

- Level 1:** Observable inputs such as quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date;
- Level 2:** Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3:** Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The following table represents the fair value of Growth Partners' assets and liabilities that are required to be measured at fair value:

<u>(In millions)</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
September 30, 2013				
Assets:				
Investments in notes from related party	\$ 897.3	\$ —	\$ 897.3	\$ —
Liabilities:				
Contingent consideration related to acquisitions	\$ 57.0	\$ —	\$ —	\$ 57.0
December 31, 2012				
Assets:				
Investments in notes from related party	\$ 790.6	\$ —	\$ 790.6	\$ —
Liabilities:				
Contingent consideration related to acquisitions	\$ 5.6	\$ —	\$ —	\$ 5.6

Growth Partners' assessment of goodwill and other intangible assets for impairment includes an assessment using various Level 2 (earnings before interest income/expense, income taxes, depreciation and amortization ("EBITDA") multiples and discount rate) and Level 3 (forecasted cash flows) inputs. Growth Partners' determination of stock-based compensation includes the valuation of CIE's common stock and the related options and warrants using various Level 2 and Level 3 inputs.

As part of the preliminary purchase price allocation related to its acquisition of Buffalo Studios LLC ("Buffalo") in December 2012, Growth Partners recorded \$5.6 million in contingent consideration, which is remeasured at fair value until settlement under ASC 805, *Business Combinations*. This contingent consideration is payable in early 2014, based upon a multiple of EBITDA for the calendar year 2013 in excess of a specified minimum threshold (generally referred to as an "earn-out" payment). This liability falls into Level 3 within the fair value hierarchy and was adjusted to its estimated fair value of \$54.5 million as of September 30, 2013. The change of \$48.9 million in the estimated value of the contingent consideration between the time the initial estimate was finalized and September 30, 2013 is recorded in the "Change in fair value of contingent consideration" line of the Combined Condensed Statements of Operations. A probability approach considering the various estimated calendar 2013 EBITDA levels and related likelihood of achieving those levels, resulting in different values for the earn-out payment was applied in estimating the fair value of this earn-out liability. A change in the probabilities associated with the settlement amount for contingent consideration could materially impact the estimated fair value of the liability.

Growth Partners expects it will have to pay additional consideration associated with its acquisitions of the World Series of Poker ("WSOP") mobile poker game contingent upon meeting or exceeding of specified performance criteria.

At September 30, 2013 and December 31, 2012, the aggregate fair market value of contingent consideration related to both the acquisition of Buffalo and the acquisition of the WSOP mobile poker game totaled \$57.0 million and \$5.6 million, respectively.

Entities are permitted to choose to measure certain financial instruments and other items at fair value. Growth Partners has not elected the fair value measurement option for any of its assets or liabilities that meet the criteria for this option.

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NOTES TO COMBINED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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The fair value of Growth Partners' long-term debt approximates its face value as of September 30, 2013 and December 31, 2012.

Note 12 — Litigation, Contractual Commitments and Contingent Liabilities

Litigation

From time to time, CAC or Growth Partners may be subject to legal proceedings and claims in the ordinary course of business.

Multiple lawsuits have been filed against CBAC Gaming, LLC ("CBAC"), the City of Baltimore, the Maryland Department of the Environment ("MDE") and other parties in relation to the proposed location and the development of Horseshoe Baltimore. These cases allege violations of various environmental laws, violations of zoning laws and public nuisance, among other claims. Although CAC and Growth Partners believe that they have adequate defenses to these claims, an adverse judgment could result in additional costs, delays in construction, or injunctions.

In November 2012, the MDE granted approval of the Maryland Joint Venture's amended Response Action Plan ("RAP") under MDE's Voluntary Cleanup Program that named the Maryland Joint Venture, rather than the City of Baltimore, as the party that will implement the RAP and redevelop the proposed location of Horseshoe Baltimore. On February 20, 2013, a group of local residents working with the non-profit Inner Harbor Stewardship Foundation (the "Foundation") filed a complaint in the Maryland Circuit Court challenging the legality of the MDE's approval of the amended RAP. In the case, known as *Ruth Sherrill, et al. v. State of Maryland Department of the Environment, et al.*, the Plaintiffs claimed that the amended RAP was approved without complying with the public notice and participation requirements of Maryland law. The Plaintiffs sought additional public notice and participation, and to obtain an injunction on, among other things, any construction activities at the site pending the resolution of the case. On March 14, 2013, the court denied the plaintiffs' motion for a Temporary Restraining Order and Preliminary Injunction ("TRO"). The plaintiffs' appeal of the TRO ruling has been dismissed. On April 22, 2013, Plaintiffs filed an Amended Complaint adding a public nuisance claim to their original Complaint. The Maryland Joint Venture filed a motion to dismiss the Plaintiffs' Amended Complaint and a hearing was held on the motion on June 14, 2013. The Amended Complaint was dismissed on November 6, 2013.

The *Sherrill* plaintiffs issued a notice of intent to file a citizen suit under 42 U.S.C. §§ 6972(a)(1)(A) and (a)(1)(B) of the Resource Conservation and Recovery Act. This notice of intent indicates an intention to sue CBAC, the City of Baltimore, Whiting-Turner, the general contractor for the construction of the Horseshoe Casino, and the Maryland Chemical Company, the former owner and operator of the site. The citizen suit was filed on September 19, 2013, but did not name Whiting-Turner. The defendants filed motions to dismiss on October 15, 2013 for lack of subject matter jurisdiction and failure to state a claim to which plaintiffs responded on November 1, 2013.

The decision of the Board of Municipal Zoning Appeals to grant variances for the site for Horseshoe Baltimore was appealed by separate parties on the basis of alleged procedural irregularities. The appeals were dismissed for lack of standing on October 11, 2013.

On August 1, 2013, ten individuals claiming to represent a class of similarly situated individuals filed a complaint in the U.S. District Court for the Northern District of Maryland against the Maryland Department of the Environment, the City of Baltimore, the U.S. Environmental Protection Agency, CBAC Gaming, LLC, Whiting-Turner Contracting Company, and Urban Green Environmental, LLC. The 11 count complaint alleges that the RAP for the proposed location of Horseshoe Baltimore is inadequate and approved without appropriate public participation. Plaintiffs seek declaratory and injunctive relief, compensatory and punitive damages, and claim violations of civil rights laws and the Clean Water Act, civil conspiracy, and a variety of torts. The plaintiffs also sought a temporary restraining order, which the District Court denied on August 9, 2013. Plaintiffs advised the Court that they intended to amend their complaint within 30 days but did not attempt to do so until October 30, 2013. The Amended Complaint added 27 plaintiffs and named MDE, the City and the Baltimore Development Corporation, and CBAC as defendants. It was rejected by the Clerk's Office on November 4, 2013 due to plaintiffs' failure to also file a redline comparison with the original Complaint.

From time to time, the City of Baltimore may be subject to legal proceedings asserting claims related to the site. At this time, CAC and Growth Partners have not been named as parties to these proceedings. However, an unfavorable outcome for the City of Baltimore could lead to construction delays if it were determined that corrective action was required and could not be implemented successfully offsite.

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Four residents of Baltimore City and County issued a notice of intent to file a citizen suit under 33 U.S.C. § 1365(b) of the Clean Water Act against the City of Baltimore as owner of the site for water pollution alleged to originate there. A lawsuit was filed on behalf of two of the residents on July 2, 2013. The City moved to dismiss the complaint on August 28, 2013. One of the plaintiffs withdrew from the case on October 10, 2013.

Two residents of Baltimore City filed suit against the City of Baltimore, as owner of the site, alleging that the City is in violation of Maryland water pollution laws as a result of groundwater contamination alleged to be migrating from the site. The City was served with the complaint on June 12, 2013. An amended complaint was filed on July 19, 2013, which the City moved to dismiss on August 6, 2013. Plaintiffs dismissed the complaint without prejudice on September 12, 2013.

Playtika Employment Agreements

In December 2011, a subsidiary of Caesars Interactive entered into employment agreements with certain selling shareholders of Playtika who had been managing Playtika both prior and subsequent to CIE's May 2011 acquisition. Under these employment agreements, a subsidiary of Caesars Interactive agreed to pay \$4.0 million in success bonuses; \$2.0 million to each of two employees in the event that each employee is still employed by Growth Partners 29 months from the commitment date of the employment agreement. If the employee's employment is terminated by Growth Partners without cause or terminated by the employee for good reason prior to the completion of the required 29 months of service, but after completion of service through July 1, 2013, each of the employees is entitled to receive 40% of this success bonus.

In addition, Caesars Interactive has success bonuses payable to certain other Playtika employees of \$0.3 million , \$0.6 million and \$1.1 million , payable during the years ending December 31, 2012, 2013 and 2014, respectively. These success bonuses are dependent upon the receiving individuals still being employed on the dates that such bonuses become payable. Success bonuses are included in Accrued expenses in the Combined Condensed Balance Sheets with a charge to compensation expense over the required service period.

In June 2013, Growth Partners recognized compensation expense in connection with the resignation of a Playtika senior management member. This expense is included in Property, general, administrative and other in the Combined Condensed Statements of Operations.

Planet Hollywood Energy Services Agreement

Planet Hollywood's predecessor entered into an Energy Services Agreement ("ESA") with Northwind Aladdin, LLC ("Northwind") on September 24, 1998, subject to five subsequent amendments. Under the terms of the amended ESA, Northwind is required to provide chilled water, hot water and emergency power to Planet Hollywood from a central utility plant for a term that expires February 29, 2020. Planet Hollywood recorded expenses of \$0.8 million during both the three months ended September 30, 2013 and 2012 as well as \$2.3 million during both the nine months ended September 30, 2013 and 2012, which are included in Property, general, administrative and other expenses in the accompanying Combined Condensed Statements of Operations. As of September 30, 2013, Planet Hollywood had future minimum commitments and contingencies of \$12.2 million related to the ESA.

Planet Hollywood Self-Insurance

Planet Hollywood was self-insured up to certain limits for costs associated with general liability, workers' compensation, and employee health coverage through June 2013. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims. In estimating these reserves, historical loss experience and judgments about the expected levels of costs per claim are considered. These claims are accounted for based on actuarial estimates of the undiscounted claims, including those claims incurred but not reported. Planet Hollywood believes the use of actuarial methods to account for these liabilities provides a consistent and effective way to measure these highly judgmental accruals. Growth Partners regularly monitors the potential for changes in estimates, evaluates its insurance accruals, and adjusts its recorded provisions. Starting in July 2013, third party insurance coverage was obtained on a prospective basis. As of September 30, 2013 and December 31, 2012, \$3.0 million , in each period, has been accrued to cover insurance claims and is included in Accrued expenses in the accompanying Combined Condensed Balance Sheets.

Planet Hollywood Participation and Servicing Agreement

In 2009, the predecessor of Planet Hollywood entered into an agreement to purchase a participation interest in certain mortgaged properties. Under the terms of this agreement, Planet Hollywood is required to pay the counterparty \$5.6 million at the earlier of October 5, 2015, or on March 31 subsequent to the first year that such mortgaged properties generate a positive

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net cash flow in excess of a pre-determined minimum amount. The mortgaged properties have not and are not expected to generate a positive net cash flow in excess of this pre-determined minimum amount within the next calendar year, and the associated liability has been included in Deferred credits and other within the Combined Condensed Balance Sheets.

Entertainment Commitments

In July 2013, Planet Hollywood terminated its lease with a third party in order to retake possession of the larger performance theater space in Planet Hollywood known as "PH Live at Planet Hollywood". In connection with that transaction, Planet Hollywood is refurbishing the PH Live at Planet Hollywood theatre and entered into a two -year performance agreement with Britney Spears pursuant to which Ms. Spears has agreed to perform a total of 96 shows at the refurbished PH Live at Planet Hollywood theatre. The performance agreement with Ms. Spears contains customary representations, warranties, covenants and agreements and exclusivity and non-compete provisions for similar transactions. Aggregate commitments under the lease termination agreement, amounts committed to refurbishing the theatre and commitments under the performance agreement aggregate approximately \$64.0 million through December 31, 2015.

Contingent Consideration

Growth Partners expects it will have to pay additional consideration associated with its acquisitions as further discussed in Note 11 — Fair Value Measurements.

Note 13 — Supplemental Cash Flow Information

The increase/(decrease) in cash and cash equivalents due to the changes in working capital accounts were as follows:

<u>(In millions)</u>	Nine Months Ended September 30,	
	2013	2012
Payable to related parties	\$ 18.0	\$ 11.2
Accrued expenses	16.1	9.7
Accounts payable	0.1	3.4
Prepayments and other current assets	(3.8)	(0.3)
Foreign tax payable	(5.1)	3.2
Receivables	(10.1)	(9.8)
Interest receivable from related party	(15.8)	(16.9)
Other	—	1.5
Net change in working capital accounts	\$ (0.6)	\$ 2.0

The following table reconciles interest expense, net of interest capitalized, per the Combined Condensed Statements of Operations, to cash paid for interest:

<u>(In millions)</u>	Nine Months Ended September 30,	
	2013	2012
Interest expense, net of interest capitalized	\$ 36.1	\$ 31.9
Adjustments to reconcile to cash paid for interest:		
Net change in accruals	6.7	(0.7)
Net amortization of debt discounts	(17.2)	(15.9)
Capitalized interest	0.4	—
Cash paid for interest	\$ 26.0	\$ 15.3
Cash payments for income taxes, net	\$ 17.5	\$ 12.5

Note 14 — Stock-Based Compensation

Caesars Entertainment grants stock-based compensation awards in Caesars Entertainment common stock to certain employees that work for the management companies of Planet Hollywood and Horseshoe Baltimore under the Caesars 2012 Performance Incentive Plan. Growth Partners did not record any allocation of Caesars Entertainment's expense associated with Planet Hollywood or Horseshoe Baltimore executives' stock-based awards for the nine months ended September 30, 2013 and 2012 as it was not considered material to the combined

condensed financial statements.

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Caesars Interactive grants stock-based compensation awards in Caesars Interactive common stock to its employees and service providers in accordance with the Caesars Interactive Entertainment, Inc. Amended and Restated Management Equity Incentive Plan (the "Plan"), which is intended to promote the interests of Caesars Interactive and its shareholders by providing key employees, directors, service providers and consultants with an incentive to encourage their continued employment or service and improve the growth and profitability of Caesars Interactive.

The following is a description of the components of these programs under the Plan as of September 30, 2013:

Valuation of Caesars Interactive Common Stock

Caesars Interactive determines the value of its common stock in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation (the "Practice Aid"). The valuations of CIE's common stock were performed retrospectively by an internal valuation specialist for valuation dates of March 31, 2012 and earlier. The valuations of CIE's common stock were performed contemporaneously by this same internal valuation specialist for the valuation dates between March 31, 2012 and June 30, 2012. Valuations subsequent to June 30, 2012 were determined with the assistance of a third-party valuation firm.

In performing these valuations, the valuation specialists considered the appropriate valuation methodology to use based on the stage of development of CIE at the valuation date, in accordance with the Practice Aid. The valuation specialist considered a number of significant valuation events including, but not limited to, voluntary redemptions of shares by management shareholders electing to redeem such shares, exercises of options by third-part investors to purchase shares of common stock, recent initial public offerings in the social and mobile gaming segment, independent third-party valuations of the WSOP trade name and exclusive rights to host the WSOP tournaments, and recent acquisitions.

Stock options and warrants

Time-based stock options have been granted to Caesars Interactive employees and non-employees, and time-based warrants have been granted to non-employees. Historically, both the options and warrants were generally subject to a five -year vesting period; vesting 20% per year on each anniversary of its effective date, until 100% of the options or warrants are fully vested and exercisable. Vesting is subject to the participant's continued employment or service for non-employees, through the applicable vesting date.

On September 30, 2013, certain key Caesars Interactive employees and non-employees were granted time-based stock options which vest ratably over a period of either five or seven years.

As of September 30, 2013, Caesars Interactive had 12,625 shares available for awards under the Plan. The Plan was amended and restated during the third quarter of 2013 to, among other things, increase the shares available under the Plan. The following is a summary of Caesars Interactive's stock option and warrant activity for the nine months ended September 30, 2013:

	Shares	Weighted Average Exercise Price	Fair Value ⁽¹⁾	Weighted Average Remaining Contractual Term (years)
Outstanding at January 1, 2013	12,916	\$ 1,999.7	\$ 386.2	7.2
Granted (employee time-based stock options)	4,160	\$ 5,560.5	\$ 2,629.0	
Exercised (employee time-based stock options)	(365)	\$ 1,586.5	\$ 82.1	
Canceled (employee time-based stock options)	(1,265)	\$ 2,500.0	\$ 724.9	
Outstanding at September 30, 2013	<u>15,446</u>	<u>\$ 2,965.0</u>	<u>\$ 969.7</u>	<u>7.3</u>
Vested and expected to vest at September 30, 2013	<u>13,648</u>	<u>\$ 2,943.3</u>	<u>\$ 956.8</u>	<u>7.3</u>
Exercisable at September 30, 2013	<u>7,590</u>	<u>\$ 1,610.3</u>	<u>\$ 147.1</u>	<u>5.7</u>

⁽¹⁾ Represents the average grant date fair value per option, using a Monte Carlo simulation model.

When information is available, Caesars Interactive uses historical stock option and warrant holder behavioral data to estimate the option or warrant exercise and termination rates used in the option-pricing model. As CIE does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term, it was calculated through the Monte Carlo model assuming that the options and warrants will be disposed of either post-vesting but prior to a liquidity event, at the date of a liquidity event or after a liquidity event. Expected volatility was based on the historical volatility of the common stock of CIE's competitor peer group for a period approximating the expected life. Caesars Interactive has no current intention to pay

GROWTH PARTNERS
NOTES TO COMBINED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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dividends on its common stock. The risk-free interest rate within the expected term was based on the U.S. Treasury yield curve in effect at the time of grant. Valuation assumptions for Caesars Interactive's stock options and warrants for the indicated periods are presented below:

	Nine Months Ended September 30, 2013
Expected range of volatility	51.1 - 61.3%
Expected dividend yield	—%
Expected range of term (in years)	3.3 - 7.7
Risk-free interest rate range	0.6 - 2.2%

As of September 30, 2013, there was approximately \$17.5 million of total unrecognized compensation expense related to Caesar Interactive's stock options to employees and \$1.6 million of total unrecognized compensation expense related to warrants to non-employees. The non-employee amount includes \$0.5 million of unrecognized compensation expense as of September 30, 2013 related to warrants to purchase Caesars Entertainment stock that has been pushed-down to the combined condensed financial statements from CEOC as the warrants vest upon services related to the CIE business. As of September 30, 2013, this cost is expected to be recognized over a remaining -average period of 3.0 years.

For the nine months ended September 30, 2013, the compensation cost that has been charged against earnings for stock options and warrants was approximately \$5.0 million , which was included in Property, general, administrative and other in the Combined Condensed Statements of Operations. As of September 30, 2013, there was \$23.5 million recognized in Deferred credits and other in the Combined Condensed Balance Sheets related to liability-classified stock options and warrants.

Restricted Shares and Restricted Stock Units

Certain key employees of a subsidiary of Caesars Interactive have been granted restricted shares, which vest on the third anniversary of grant as long as the employee remains employed through this anniversary date. On September 30, 2013, certain key Caesars Interactive employees were granted restricted stock units (RSUs), which are subject to either a ratable five -year vest or a seven -year vesting period such that 25% of the awards vest ratably over four years, 25% vest ratably over five years, 25% vest ratably over six years and 25% vest ratably over seven years. The remaining RSUs granted on September 30, 2013 are subject to a five -year vesting period such that 20% of the awards vest in each year starting with and subsequent to the first anniversary of the grant date. Restricted shares and RSUs ("restricted stock") are equity-classified instruments and are measured at their fair value at the date of grant for accounting purposes.

On June 2, 2013, Growth Partners entered into a binding letter agreement for the separation of employment of a senior management team member of a subsidiary of Caesars Interactive. Under this memorandum of understanding, this individual has agreed to forfeit his unvested options and exercise his vested options, and Growth Partners has agreed to purchase from this individual, at an agreed upon price, the shares he acquires pursuant to the exercise of his options, plus previously owned Management Shares and restricted stock, subject to the execution of a final definitive agreement.

The following is a summary of Caesars Interactive's restricted stock activity for the nine months ended September 30, 2013:

	Shares	Fair Value ⁽¹⁾	Weighted Average Remaining Contractual Term (years)
Outstanding (non-vested) at January 1, 2013	2,831	\$ 905.4	1.5
Granted (RSUs)	3,120	\$ 5,470.0	6.6
Outstanding (non-vested) at September 30, 2013	<u>5,951</u>	<u>\$ 3,298.4</u>	<u>3.8</u>

⁽¹⁾ Represents the weighted-average grant date fair value per option, using a Monte Carlo simulation model.

As of September 30, 2013, there was approximately \$18.8 million of total unrecognized compensation cost related to restricted shares, which is expected to be recognized over a remaining period of 3.7 years.

For the nine months ended September 30, 2013, total compensation expense that was recorded in earnings for restricted shares, including amounts incurred in connection with the resignation of a senior management member, was approximately \$7.2 million . This expense is included in Property, general, administrative and other in the Combined Condensed Statements of Operations.

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NOTES TO COMBINED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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Management Shares

In October 2011, certain key Caesars Interactive employees purchased common stock of Caesars Interactive Entertainment (“Management Shares”). Management Shares are equity-classified instruments for accounting purposes.

In January 2013, CIE offered to purchase a portion of the Management Shares owned by certain members of CIE management at a price of \$5,221 per share. Aggregate consideration paid by Caesars Interactive for all shares purchased in the transaction amounted to \$2.7 million .

In July 2013, CIE offered to purchase a portion of the Management Shares owned by certain members of CIE management at a price of \$5,446.49 per share. Aggregate consideration paid by Caesars Interactive for all shares purchased in the transaction amounted to \$7.2 million .

Note 15 — Property, General, Administrative and Other

Property, general, administrative and other expense consisted of the following:

(In millions)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Advertising	\$ 16.4	\$ 9.5	\$ 43.4	\$ 26.9
Payroll costs	8.5	5.9	27.1	17.6
Management fee	4.2	4.0	13.1	12.1
Utilities	3.5	2.7	8.1	6.6
License, franchise tax and other	3.4	2.8	10.3	9.3
Research and development	3.0	4.7	20.3	9.9
Rental expense	2.8	1.9	7.6	5.7
Corporate allocations	2.7	1.3	7.6	5.2
Stock-based compensation	1.8	6.8	12.2	11.6
Professional services	1.8	1.4	4.4	4.6
Other	12.4	9.8	30.6	32.2
	\$ 60.5	\$ 50.8	\$ 184.7	\$ 141.7

Note 16 — Leases

Growth Partners leases both real estate and equipment used in its operations and classifies those leases as either operating or capital leases for accounting purposes. As of September 30, 2013, Growth Partners had no material capital leases and the remaining lives of its operating leases ranged from one to 85 years with various automatic extensions.

A subsidiary of Caesars Baltimore Investment Company, LLC entered into a ground lease agreement with the City of Baltimore in relation to its casino construction project in Baltimore in October 2012. The subsidiary took possession and started the lease term in July 2013. This agreement will significantly increase the future expected rent obligations. The total minimum lease payments relating to the aforementioned lease are \$197.0 million and have been reflected in the operating lease table below.

Rental expense associated with operating leases is charged to expense in the year incurred. Rental expense for operating leases and other month-to-month cancellable leases are included in Operating expenses in the Combined Condensed Statements of Operations and amounted to \$6.6 million and \$3.1 million for the quarter ended September 30, 2013 and 2012 and \$12.7 million and \$9.3 million for the nine months ended September 30, 2013 and 2012, respectively.

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NOTES TO COMBINED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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As of September 30, 2013, Growth Partners' future minimum rental commitments under its non-cancellable operating leases are as follows:

(In millions)

Year	Non-cancellable operating leases
2013 (remaining 3 months)	\$ 2.4
2014	10.5
2015	18.1
2016	19.8
2017	21.8
2018	22.8
Thereafter	718.2
Total minimum rent commitments	\$ 813.6

Note 17 — Employee Benefits

Caesars Entertainment maintains a defined contribution savings and retirement plan in which employees of both CIE and the management companies of Planet Hollywood and Horseshoe Baltimore may participate. The plan, among other things, provides for pretax and after-tax contributions by employees. Under the plan, participating employees may elect to contribute up to 50% of their eligible earnings. In April 2012, Caesars Entertainment reinstated a limited employer match. Growth Partners' reimbursement for Caesars Entertainment's contribution expense for the quarters ended September 30, 2013 and 2012 was \$0.1 million in each quarter and for the nine months ended September 30, 2013 and 2012 was \$0.5 million and \$0.3 million , respectively.

Caesars Entertainment also maintains deferred compensation plans, stock-option plans, and an executive supplemental savings plan under which certain employees of the management company of Planet Hollywood's management may defer a portion of their compensation. The expenses charged by Caesars Entertainment to Planet Hollywood for employees' participation in these programs are included in Property, general, administrative and other in the Combined Condensed Statements of Operations.

Certain employees of Caesars Entertainment are covered by union sponsored, collectively bargained, health and welfare multiemployer benefit plans. Planet Hollywood's reimbursement for Caesars Entertainment's contributions and charges for these plans were \$2.2 million and \$2.1 million for the quarters ended September 30, 2013 and 2012, respectively. The reimbursements were \$6.6 million and \$6.2 million for the nine months ended September 30, 2013 and 2012, respectively. These expenses are included in Property, general, administrative and other in the Combined Condensed Statements of Operations.

Note 18 — Segments

For financial reporting purposes, Growth Partners has two reportable segments: (1) Interactive Entertainment; and (2) Casino Properties and Developments. The Interactive Entertainment segment consists of social and mobile games that are housed on various global social and mobile third-party platforms, licensing of the WSOP trade name to third parties for use in social and mobile games and online real money gaming, and the licensing of the WSOP trade name, television rights and sponsorship for WSOP live tournaments. The Interactive Entertainment segment also includes use of the WSOP and Caesars brands for regulated online real money gaming in the United Kingdom, Italy and France. The Casino Properties and Developments segment consists of Growth Partners' interests in a certain joint venture in a gaming facility in Baltimore, Maryland, and the Planet Hollywood business, which consists of hotel, related food, beverage, entertainment, and parking amenities as well as gaming facility operations. Amounts not aggregated with either the Interactive Entertainment reportable segment or the Casino Properties and Development segment relate to the Investments in notes from related party and related tax impacts, and are reported separately in the Other column in the tables below.

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NOTES TO COMBINED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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Revenue attributed to the reportable segments is as follows:

(In millions)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
<i>Interactive Entertainment</i>				
Social and mobile games	\$ 74.7	\$ 51.7	\$ 212.0	\$ 142.5
WSOP and online real money gaming	4.2	4.9	9.5	10.9
	78.9	56.6	221.5	153.4
<i>Casino Properties and Developments</i>				
Casino	42.1	42.0	126.7	126.5
Food and beverage	21.9	17.5	64.9	52.3
Rooms	24.1	22.4	73.7	69.6
Other	7.2	4.8	20.8	14.5
Less: casino promotional allowances	(11.8)	(12.6)	(37.0)	(36.5)
	83.5	74.1	249.1	226.4
Net revenues	\$ 162.4	\$ 130.7	\$ 470.6	\$ 379.8

Total assets were not included in the segment information above as the segment level balance sheet information is not reviewed by Growth Partners' chief operating decision maker.

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NOTES TO COMBINED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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The following Segment earnings before interest income/expense, income taxes, depreciation and amortization (“EBITDA”) information is presented based on the reporting segments:

(In millions)	Quarter Ended September 30, 2013					Quarter Ended September 30, 2012				
	Interactive Entertainment	Casino Properties and Developments	Other	Total	Interactive Entertainment	Casino Properties and Developments	Other	Total		
Income from operations	\$ 21.9	\$ 8.4	\$ —	\$ 30.3	\$ 12.3	\$ 7.5	\$ —	\$ 19.8		
Depreciation and amortization	4.8	6.7	—	11.5	1.8	6.3	—	8.1		
Loss on extinguishment of debt	—	(0.3)	—	(0.3)	—	—	—	—		
Other (expense)/income, net	—	—	—	—	0.6	—	—	0.6		
Segment EBITDA	26.7	14.8	—	41.5	14.7	13.8	—	28.5		
Depreciation and amortization	(4.8)	(6.7)	—	(11.5)	(1.8)	(6.3)	—	(8.1)		
Interest expense, net of interest capitalized	(0.8)	(15.0)	—	(15.8)	(0.6)	(9.4)	—	(10.0)		
Interest income - related party	—	—	44.9	44.9	—	—	37.0	37.0		
(Provision for)/benefit from income taxes	(5.4)	2.6	(15.7)	(18.5)	(4.4)	0.7	(13.5)	(17.2)		
Net income/(loss)	<u>\$ 15.7</u>	<u>\$ (4.3)</u>	<u>\$ 29.2</u>	<u>\$ 40.6</u>	<u>\$ 7.9</u>	<u>\$ (1.2)</u>	<u>\$ 23.5</u>	<u>\$ 30.2</u>		
Nine Months Ended September 30, 2013										
(In millions)	Nine Months Ended September 30, 2013					Nine Months Ended September 30, 2012				
	Interactive Entertainment	Casino Properties and Developments	Other	Total	Interactive Entertainment	Casino Properties and Developments	Other	Total		
(Loss)/income from operations	\$ (5.8)	\$ 37.8	\$ —	\$ 32.0	\$ 33.7	\$ 29.5	\$ —	\$ 63.2		
Depreciation and amortization	12.6	19.7	—	32.3	5.2	19.0	—	24.2		
Loss on extinguishment of debt	—	(0.5)	—	(0.5)	—	—	—	—		
Other income/ (expense), net	0.1	0.2	—	0.3	1.5	—	—	1.5		
Segment EBITDA	6.9	57.2	—	64.1	40.4	48.5	—	88.9		
Depreciation and amortization	(12.6)	(19.7)	—	(32.3)	(5.2)	(19.0)	—	(24.2)		
Interest expense, net of interest capitalized	(1.9)	(34.2)	—	(36.1)	(3.6)	(28.3)	—	(31.9)		
Interest income - related party	—	—	128.0	128.0	—	—	106.4	106.4		
Benefit from/ (provision for) income taxes	8.0	(0.8)	(44.8)	(37.6)	(9.9)	(0.5)	(38.6)	(49.0)		
Net income	<u>\$ 0.4</u>	<u>\$ 2.5</u>	<u>\$ 83.2</u>	<u>\$ 86.1</u>	<u>\$ 21.7</u>	<u>\$ 0.7</u>	<u>\$ 67.8</u>	<u>\$ 90.2</u>		

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NOTES TO COMBINED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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The following geographical segment information is presented based on the geographical region of each subsidiary's country of domicile:

(In millions)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues				
United States	\$ 108.3	\$ 79.0	\$ 313.2	\$ 237.3
Israel	54.1	51.7	157.4	142.5
Net revenues	\$ 162.4	\$ 130.7	\$ 470.6	\$ 379.8
 (In millions)				
		September 30, 2013	December 31, 2012	
Land, property and equipment, net				
United States	\$ 449.1	\$ 417.9		
Israel	4.3	2.5		
Total land, property and equipment, net	\$ 453.4	\$ 420.4		

Note 19 — Related Party Transactions

WSOP Trade Name

In 2009, Caesars Interactive acquired the WSOP trademarks and associated rights from CEOC for \$15.0 million . At the same time, Caesars Interactive entered into a Trademark License Agreement with CEOC, pursuant to which CEOC acquired an exclusive, perpetual, royalty-free license to use the WSOP trademarks in connection with hosting the WSOP tournaments, operating WSOP branded poker rooms and selling certain WSOP branded retail items. This agreement remains in effect indefinitely, unless earlier terminated pursuant to the agreement's terms.

In 2011, Caesars Interactive entered into a series of transactions pursuant to which Caesars Interactive effectively repurchased the exclusive rights to host the WSOP tournaments from CEOC for \$20.5 million . The 2009 Trademark License Agreement remains in effect with respect to WSOP branded poker rooms and retail items, but the rights to host WSOP tournaments are owned by Caesars Interactive. As part of the 2011 transactions, Caesars Interactive entered into a Trademark License Agreement with CEOC pursuant to which Caesars Interactive granted CEOC the right to host the WSOP tournaments at the Rio Hotel in Las Vegas or at such other property agreed to by the parties, in exchange for a \$2.0 million per year fee. Simultaneously, Caesars Interactive entered into a Circuit Event Agreement with CEOC pursuant to which Caesars Interactive granted CEOC the right to host a certain number of WSOP circuit events at various properties of CEOC for a price of \$75,000 per event. Both agreements are in effect until September 1, 2016, unless earlier terminated pursuant to the agreements' respective terms. Revenues under this agreement associated with the WSOP circuit events amounted to \$1.2 million and \$1.0 million for the nine-months ended September 30, 2013 and 2012, respectively. Growth Partners' first revenues associated with the royalty fee of \$2.0 million for the right to host the WSOP Tournaments occurred during 2012 which is included in WSOP and online real money gaming revenues in the Combined Condensed Statements of Operations.

Cross Marketing and Trademark License Agreement

In 2011, Caesars Interactive entered into a Cross Marketing and Trademark License Agreement with Caesars World, Inc., Caesars License Company, LLC, Caesars Entertainment and CEOC. In addition to granting Caesars Interactive the exclusive rights to use various brands of Caesars Entertainment in connection with social and mobile games and online real money gaming in exchange for a 3% royalty, this agreement also provides that CEOC will provide certain marketing and promotional activities for Caesars Interactive, including participation in Caesars Entertainment's Total Rewards loyalty program, and Caesars Interactive will provide certain marketing and promotional activities for Caesars Entertainment and CEOC. The agreement also provides for certain revenue share arrangements where Caesars Interactive pays CEOC for customer referrals. This agreement is in effect until December 31, 2026, unless earlier terminated pursuant to the agreement's terms. For the three months ended September 30, 2013 and 2012, Caesars Interactive paid \$0.2 million and \$0.1 million , respectively, and paid \$0.6 million and \$0.3 million for the nine months ended September 30, 2013 and 2012 respectively pursuant to the terms of the Cross Marketing and Trademark License Agreement.

Reimbursement and Consulting Arrangement with Stephenson Management Inc.

Stephenson Management Inc. ("Stephenson"), a holding company controlled by Caesars Interactive's Chief Executive Officer, Mitch Garber, was the owner of a private aircraft. When Mr. Garber travels for a business purpose for Caesars

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Interactive, Stephenson assumes all of the operating expenses of the aircraft, and Caesars Interactive reimburses Stephenson for the approximate cost of the prevailing price of a commercial airline ticket for Mr. Garber and any other employee or business related passenger on the flight.

In addition, CEOC and Stephenson are parties to a Consulting Agreement, dated as of January 26, 2009, pursuant to which Stephenson provides consulting services to CEOC in respect of online and other assets controlled by CEOC. Stephenson is paid CAD \$20,350 each calendar month, which consists of \$15,000 converted at a fixed exchange rate of CAD \$1.18 to \$1.00 and a gross up to cover the required Canadian Goods and Services Tax and the required Provincial Sales Tax in Canada.

The reimbursement of Stephenson ceased during the year ended December 31, 2012.

Allocated general corporate expenses

Upon the October 21, 2013 closing of the Transactions, CGP LLC entered into a management services agreement with CEOC pursuant to which CEOC and its subsidiaries provide certain services to CGP LLC. The agreements, among other things:

- contemplate that CEOC will provide certain services related to payroll, accounting, risk management, tax, finance, recordkeeping, financial statement preparation and audit support, legal, treasury functions, regulatory compliance, insurance, information systems, office space and corporate and other centralized services;
- allow the parties to modify the terms and conditions of CEOC's performance of any of the services and to request additional services from time to time; and
- provide for payment of a service fee to CEOC in exchange for the provision of services, plus a margin of 10% .

In addition, the shared service agreement pursuant to which CEOC provides similar services to Caesars Interactive and the management agreements pursuant to which CEOC provides similar services to Planet Hollywood and Horseshoe Baltimore that were in place prior to the Transactions continue to remain in force.

The Combined Condensed Statements of Operations reflect an allocation of both expenses incurred in connection with these shared services agreements and directly billed expenses incurred through Caesars Entertainment and CEOC. General corporate expenses have been allocated based on a percentage of revenue, or on another basis (such as headcount), depending upon the nature of the general corporate expense being allocated. For the quarter ended September 30, 2013 and 2012, Growth Partners recorded allocated general corporate expenses (including at times a 10% surcharge) and directly billed expenses totaling \$7.7 million and \$6.5 million , respectively. For the nine months ended September 30, 2013 and 2012 , these expenses totaled \$20.4 million and \$19.4 million , respectively. The net payable balances for allocated and directly billed expenses is recorded in Payables to related party in the Combined Condensed Balance Sheets and was \$45.2 million as of September 30, 2013 and \$18.2 million as of December 31, 2012 .

Management Fees

PHW Manager, LLC ("PHW Manager"), a wholly-owned subsidiary of CEOC, manages the operations of the Planet Hollywood. Fees paid to PHW Manager for such services include a base management fee calculated at 3% of adjusted gross operating revenue plus net casino wins, and an incentive fee calculated at 4.5% of EBITDA less the base management fee. For the quarter ended September 30, 2013 and 2012, the fees were \$4.2 million and \$4.0 million , respectively. These fees totaled \$13.1 million and \$12.1 million for the nine months ended September 30, 2013 and 2012 , respectively. These fees are included in Property, general, administrative, and other expenses in the Combined Condensed Statements of Operations. As of September 30, 2013 and December 31, 2012, the payable balances related to these fees were recorded in Payables to related party in the Combined Condensed Balance Sheets and was \$1.5 million and \$1.3 million , respectively.

Long-term debt to related party

Caesars Interactive has entered into an unsecured credit facility with Caesars Entertainment (the "Credit Facility") whereby Caesars Entertainment provided to Caesars Interactive unsecured intercompany loans as approved by Caesars Entertainment on an individual transaction basis. In connection with the May 2011 purchase of 51% of Playtika, the December 2011 purchase of the remaining 49% interest in Playtika and the December 2012 Buffalo Studios acquisition, Caesars Interactive borrowed \$126.4 million for Playtika and \$42.0 million for Buffalo Studios under the Credit Facility. The outstanding CIE balance on the Credit Facility as of September 30, 2013 and December 31, 2012, was \$39.8 million and \$46.8 million , respectively. No principal payments are required under the Credit Facility until its maturity date of November 29, 2016. The unsecured intercompany loans bear interest on the unpaid principal amounts at a rate per annum equal to LIBOR plus 5% .

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For the quarter ended September 30, 2013 and 2012, Growth Partners recorded \$0.8 million and \$0.7 million of interest expense associated with this debt, respectively, and \$1.9 million and \$3.7 million for the nine months ended September 30, 2013 and 2012, respectively. The Credit Facility does not have any restrictive or affirmative covenants.

During the nine months ended September 30, 2013, CIE made principal payments on the Credit Facility aggregating \$7.0 million.

Investments in notes and interest receivable from related party

Growth Partners' investments in notes from related party consist solely of senior notes previously issued by CEOC which were acquired by Caesars Entertainment in transactions unrelated to the Transaction. All investments in notes from related party are classified as available-for-sale and are recorded as non-current assets.

The face value and fair value of the investment in related party notes are summarized below:

<u>(In millions)</u>	Stated Interest Rate	Face Value As of		Fair Value As of	
		September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
June 1, 2015	5.63%	\$ 427.3	\$ 427.3	\$ 387.8	\$ 376.0
June 1, 2016	6.50%	324.5	324.5	244.2	210.0
October 1, 2017	5.75%	390.9	390.9	261.9	201.5
February 1, 2018	10.75%	3.9	3.7	3.4	3.1
Total		\$ 1,146.6	\$ 1,146.4	\$ 897.3	\$ 790.6

For additional discussion of fair value measurements, see Note 11 — Fair Value Measurements.

For the notes due February 1, 2018, CEOC has the option, and has elected to exercise such option, to pay interest on the notes with additional notes due February 1, 2018, rather than paying such interest in cash. To the extent CEOC elects to pay the interest "in-kind", the interest to be paid accrues at a premium of 75 basis points over the stated interest rate. For the nine months ended September 30, 2013 and 2012, Growth Partners received interest in the form of additional notes due February 1, 2018 and recognized interest income of approximately \$0.3 million.

Investments included in the Combined Condensed Balance Sheets are summarized as follows:

<u>(In millions)</u>	September 30, 2013	December 31, 2012
Investments in notes from related party		
Amortized cost	\$ 689.5	\$ 612.2
Unrealized gains recorded in accumulated other comprehensive income	207.8	178.4
Fair value of investments in notes from related party	\$ 897.3	\$ 790.6

Growth Partners evaluates whether securities in an unrealized loss position could potentially be other-than-temporarily impaired. Growth Partners has concluded that the fair values of the securities presented in the table above were not other-than-temporarily impaired as of September 30, 2013 and December 31, 2012. This conclusion is derived from CEOC's continued satisfaction of the securities' obligations in accordance with their contractual terms along with the expectation that CEOC will continue to do so. Also contributing to this conclusion is the determination that it is more likely than not that Growth Partners will not be required to sell these securities prior to recovery, an assessment of CEOC's financial condition, and other objective evidence.

For the quarter ended September 30, 2013 and 2012, interest income from related parties includes \$17.0 million and \$16.8 million of income based on the stated interest rate, \$27.8 million and \$20.0 million of accretion of discount and the aforementioned \$0.1 million and \$0.2 million of interest income related to the paid-in-kind notes, respectively. For the nine months ended September 30, 2013 and 2012, interest income from related parties includes \$50.7 million and \$50.6 million of income based on the stated interest rate, \$77.0 million and \$55.5 million of accretion of discount and the aforementioned \$0.3 million and \$0.3 million of interest income related to the paid-in-kind notes, respectively.

GROWTH PARTNERS
NOTES TO COMBINED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

Other related party transactions

Revenues earned from WSOP tournament agreements with CEOC were \$0.2 million for each quarter ended September 30, 2013 and 2012. For the nine months ended September 30, 2013 and 2012, revenues earned from WSOP tournament agreements with CEOC were \$1.2 million and \$1.0 million , respectively. Expenses related to Caesars Interactive's cross marketing and trademark license agreements with CEOC were \$0.2 million and \$0.1 million for the quarter ended September 30, 2013 and 2012, respectively. For the nine months ended September 30, 2013 and 2012, these expenses were \$0.6 million and \$0.3 million , respectively.

Note 20 — Subsequent Event

Acquisition

In October 2013, certain wholly owned subsidiaries of Caesars Interactive consummated an agreement with unaffiliated third parties (collectively the “Sellers”) to acquire the workforce, assets and intellectual property (collectively, the “Acquired Assets”) of the Sellers. Total consideration for the Acquired Assets was \$18.0 million , of which \$10.0 million was paid on October 21, 2013 and \$8.0 million is contingent upon achieving certain milestone events. Growth Partners has not yet commenced its purchase price allocation related to the consideration paid for this acquisition.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with, and is qualified in its entirety by the audited balance sheet of Caesars Acquisition Company ("CAC") as of February 25, 2013, its date of formation, and the notes thereto as previously disclosed in CAC's Registration Statement on Form S-1 as amended (File No. 333-189876) (the "Registration Statement"); the unaudited financial statements of Caesars Acquisition Company as of and for the period from February 25, 2013 through September 30, 2013; the audited financial statements as of and for the year ended December 31, 2012 of the historical combined entities that, subsequent to the October 21, 2013 consummation of the Transactions (as defined below), are now known as Caesars Growth Partners, LLC and the notes thereto as previously disclosed in the Registration Statement; the unaudited combined condensed financial statements of the historical combined entities that are now known as Caesars Growth Partners, LLC as of and for the three and nine months ended September 30, 2013 and 2012, and the notes thereto; and the other financial information included elsewhere in this Form 10-Q.

Basis of Presentation

CAC was incorporated under the laws of the State of Delaware on February 25, 2013 and was formed to directly own 100% of the voting membership units in Caesars Growth Partners, LLC ("CGP LLC"), a joint venture between CAC and Caesars Entertainment Corporation ("Caesars Entertainment"). At September 30, 2013, CAC does not own any assets or have any direct operations. Upon consummation of the Transactions referenced in "Note 1 — Organization and Nature of Business Operations" to the CAC financial statements, CAC serves as CGP LLC's managing member and sole holder of all of its outstanding voting units, and subsidiaries of Caesars Entertainment hold all of CGP LLC's outstanding non-voting units. However, based upon the structure of CGP LLC and the related economics, CGP LLC has been determined to be a variable interest entity of which Caesars Entertainment is the primary beneficiary. Therefore, CAC does not consolidate CGP LLC into its financial statements. Instead, CAC accounts for its investment in CGP LLC using a balance sheet approach to the equity method of accounting, referred to as hypothetical liquidation at book value ("HLBV") accounting.

On October 21, 2013, when the Transactions were completed, CAC did not have any operations and CAC's only material asset is its membership interest in CGP LLC, which will be accounted for using the HLBV approach to the equity method of accounting. For accounting purposes, the predecessor to CAC is Growth Partners (as defined below). As a result, we believe the financial statements of Growth Partners itself are more relevant to the investor than our financial statements because Growth Partners' financial statements present the financial position and results of the underlying operations of Growth Partners in greater detail. The historical financial statements of Growth Partners are the combined financial statements of entities and assets that were contributed to or acquired by CGP LLC on October 21, 2013, which consist of Caesars Entertainment's equity interests in Caesars Interactive Entertainment, Inc. ("Caesars Interactive" or "CIE"), the equity interests of a subsidiary of PHW Las Vegas, LLC, which holds all of the assets and liabilities of PHW Las Vegas, LLC, including Planet Hollywood, the equity interests of Caesars Baltimore Investment Company, LLC ("CBIC"), which holds an interest in the Maryland Joint Venture, and investments in bonds previously issued by Caesars Entertainment Operating Company, Inc. ("CEO"), a wholly-owned subsidiary of Caesars Entertainment Corporation.

CAESARS ACQUISITION COMPANY

Initial Capitalization

At its February 25, 2013 date of incorporation, CAC had not issued any shares. CAC has neither engaged in any operations nor generated any revenues or income prior to its date of incorporation in 2013. All fees and expenses incurred to create the CAC entity and structure the Transactions have been funded by Caesars Entertainment. All fees and expenses incurred to create and structure the rights offering component of the Transactions were reimbursed by CGP LLC to Caesars Entertainment upon the October 21, 2013 closing of the Transactions.

Liquidity and Capital Resources

On October 21, 2013, the equity of CAC was made available via a subscription rights offering to the shareholders of Caesars Entertainment, and affiliates of Apollo Global Management, LLC ("Apollo") and affiliates of TPG Global, LLC ("TPG" and, together with Apollo, the "Sponsors") exercised their basic subscription rights in full to purchase \$457.8 million worth of CAC's Class A common stock at a price of \$8.64 per whole share. CAC used the proceeds from the Sponsors' exercise of their rights to purchase 100% of the voting units of CGP LLC.

Capital Spending

CAC is not expected to incur capital expenditures in the normal course of business or to pursue acquisition opportunities other than through CGP LLC. See "Liquidity and Capital Resources" for Growth Partners.

Liquidity and Capital Resources

CAC's sole source of funds are the proceeds received from the equity offering. To the extent that CAC requires additional funds subsequent to the completion of the equity offering, CAC may borrow funds or issue additional equity. However, as CAC does not have operations of its own, it is expected that CAC will not have a significant need for additional liquidity.

Pursuant to the certificate of incorporation of CAC and the CGP Operating Agreement, after the third anniversary of the closing of the Transactions, Caesars Entertainment and/or its subsidiaries will have the right, which it may assign to any of its affiliates or to any transferee of all non-voting units of CGP LLC held by subsidiaries of Caesars Entertainment, to acquire all or a portion of the voting units of CGP LLC (or, at the election of CAC, shares of CAC's Class A common stock) not otherwise owned by Caesars Entertainment and/or its subsidiaries at such time. The purchase consideration may be, at Caesars Entertainment's option, cash or shares of Caesars Entertainment's common stock valued at market value, net of customary market discount and expenses, provided that the cash portion will not exceed 50% of the total consideration in any exercise of the call right. The purchase price will be the greater of (i) the fair market value of the voting units of CGP LLC (or shares of CAC's Class A common stock) at such time based on an independent appraisal or (ii) the initial capital contribution in respect of such units plus a 10.5% per annum return on such capital contribution, subject to a maximum return on such capital contribution of 25% per annum, taking into account prior distributions with respect to such units.

The call right may be exercisable in part by Caesars Entertainment (up to three times), but until the call right is exercised in full, any voting units of CGP LLC (or shares of CAC's Class A common stock) acquired by Caesars Entertainment will be converted into non-voting units of CGP LLC (or non-voting shares of CAC's Class B common stock). Additionally, the call right may only be exercised by Caesars Entertainment and/or its subsidiaries if, at the time of such exercise, (w) Caesars Entertainment and CAC enter into a resale registration rights agreement with respect to the shares of Caesars Entertainment common stock used as all or a portion of the purchase consideration in connection with the exercise of the call right, (x) the common stock of Caesars Entertainment (i) is registered with the Securities and Exchange Commission, (ii) is listed for trading and trades on a national securities exchange, and (iii) issuable upon exercise of the call right will represent, in the aggregate, not more than one half of the total Caesars Entertainment's common stock issued and outstanding giving effect to the exercise of the call right, (y) Caesars Entertainment has a minimum liquidity of \$1.0 billion and a maximum net debt leverage ratio of 9.00 to 1.00, and (z) no event of default has occurred and is in effect under any financing agreement of Caesars Entertainment or its subsidiaries. Further, in the event that a stockholder vote of Caesars Entertainment is required in connection with the exercise of such call right, receipt of affirmative approval of such vote will be a condition to the exercise of the call right and at the closing of the Transactions, affiliates of the Sponsors will enter into a voting support agreement in favor of any such stockholder approval. In addition, a majority of the independent directors of the board of directors of Caesars Entertainment must approve the exercise of the call right by Caesars Entertainment and/or its subsidiaries. The call right will be transferable to a transferee that also receives a transfer of all the non-voting units of CGP LLC, and exercisable by the transferee upon the same terms and conditions as apply to Caesars Entertainment and its subsidiaries.

Following the fifth anniversary of the closing of the Transactions and until the eighth year sixth month anniversary of the closing of the Transactions, our Board will have the right to cause a liquidation of CGP LLC, including the sale or winding up of CGP LLC, or other monetization of all of its assets and the distribution of the proceeds remaining after satisfaction of all liabilities of CGP LLC to the holders of CGP LLC's units according to the waterfall described below. On the eighth year and sixth month anniversary of the closing of the Transactions (unless otherwise agreed by Caesars Entertainment and CAC), if our Board has not previously exercised its liquidation right, the CGP Operating Agreement provides that CGP LLC shall, and our Board shall cause CGP LLC to, effect a liquidation.

Upon a liquidation, partial liquidation or sale of material assets, all net cash and other assets not monetizable of CGP LLC shall, subject to applicable gaming regulatory laws, be distributed as follows: (i) first, to all units held by CAC until amounts distributed equal return of CAC's initial capital contribution plus a 10.5% per annum of return on such capital contribution (such return to begin accruing on the proceeds in excess of the purchase price of Planet Hollywood, Horseshoe Baltimore and 50% of the related management fees only upon the investment of such excess proceeds by CGP LLC); (ii) second, to all units held by Caesars Entertainment and/or its subsidiaries until Caesars Entertainment catches up to its respective amount distributed in provision (i) (including the 10.5% per annum of return on the initial capital contribution) and (iii) third, to all holders of units pro rata.

The structure pursuant to which CGP LLC will effect a liquidating distribution, sale of CGP LLC or other similar transaction that provides liquidity to the holders of CGP LLC's units as described above will be determined by a special-

purpose Liquidation Committee that will include representatives from Caesars Entertainment and CAC. In connection with any liquidation of CGP LLC, CAC will have an approval right over any sale or other monetization of assets of CGP LLC that would not exceed the greater of (x) the book value of CGP LLC, and (y) the value of CGP LLC as determined by an appraiser selected by CAC.

GROWTH PARTNERS

Overview

CGP LLC used a portion of the cash proceeds from its October 21, 2013 sale of voting units to CAC to purchase from Caesars Entertainment (i) the equity interests of a subsidiary of PHW Las Vegas, LLC, which holds all of the assets and liabilities formerly held directly by PHW Las Vegas, LLC, including Planet Hollywood Resort and Casino, (ii) its equity interest in the Caesars Baltimore Investment Company, LLC, ("CBIC"), which is the entity that indirectly holds interests in Horseshoe Baltimore in Maryland ("Maryland Joint Venture" or "Horseshoe Baltimore"), and (iii) a 50% interest in the management fee revenues of PHW Manager, LLC, which manages Planet Hollywood, and of Caesars Baltimore Management Company LLC, which holds a management agreement to manage Horseshoe Baltimore. We refer to these transactions as the "Purchase Transaction" and the acquired net assets the "Purchased Assets". The Purchase Transaction is deemed to be a transaction among entities under common control. Therefore, CGP LLC will account for the Purchase Transaction using the historical carrying values of the Purchased Assets. In addition, CGP LLC is liable to reimburse Caesars Entertainment and CAC for certain fees and expenses incurred in connection with this transaction, and will use the remainder of the proceeds from the sale of voting units to CAC for general corporate purposes, including to make strategic investments.

Also on October 21, 2013, Caesars Entertainment contributed to CGP LLC, in exchange for non-voting units, (i) Caesars' equity interests in CIE, representing approximately 89% of the total issued and outstanding shares of CIE prior to giving effect to any options or warrants that are exercisable and (ii) approximately \$1.1 billion in aggregate principal amount of the CEOC Notes. We refer to these transactions as the "Contribution Transaction" and these assets as the "Contributed Assets". The Contribution Transaction is deemed to be a transaction among entities under common control. Therefore, CGP LLC will account for the Contribution Transaction using the historical carrying values of the Contributed Assets.

In connection with the Purchase Transaction and the Contribution Transaction, CGP LLC entered into agreements with Caesars Entertainment and its subsidiaries to provide certain corporate shared services and back-office support and business advisory services to CAC and CGP LLC and its subsidiaries. We refer to the Purchase Transaction, Contribution Transaction and the entering into such agreements collectively as the "Transactions". The historical combined financial statements of the entities and assets that were contributed to or purchased by CGP LLC are herein referred to as "Growth Partners".

For financial reporting purposes, Growth Partners has two reportable segments: (i) Interactive Entertainment and (ii) Casino Properties and Developments. Growth Partners' Interactive Entertainment segment consists of CIE, which is comprised of three distinct, but complementary businesses that reinforce, cross-promote and build upon each other: social and mobile games, the World Series of Poker ("WSOP") and regulated online real money gaming. Growth Partners' Casino Properties and Developments segment consists of Planet Hollywood and the Maryland Joint Venture. The Horseshoe Baltimore is under construction and is expected to open in the third quarter of 2014. Therefore, the results of operations for Horseshoe Baltimore are primarily comprised of pre-opening and financing-related activities.

Performance Metrics — Interactive Entertainment Social and Mobile Games

For the three and nine months ended September 30, 2013, the CIE business generated 95% and 96% of its revenues from its social and mobile games business. CIE measures the performance of its social and mobile games business by using several key financial metrics, including revenue, and operating metrics, including Daily Active Users, Monthly Active Users, Monthly Unique Users, Average Revenue per User and Monthly Unique Payers. These operating metrics help CIE to understand and measure the engagement levels of its players, the size of its audience and its reach.

On December 27, 2012, CIE consummated the acquisition of substantially all of the assets of Buffalo Studios LLC ("Buffalo Studios"), a social and mobile games developer based in Santa Monica, California. Aggregate cash consideration paid for this acquisition was approximately \$45.2 million, excluding amounts payable in early 2014 resulting from contingent consideration.

In August 2013, CIE acquired an online gaming development team based in the Ukraine. Assets acquired and liabilities assumed in these transactions were not material to Growth Partners' financial statements. Additionally, in October 2013, CIE acquired the workforce, assets and intellectual property of an online gaming development group.

Daily Active Users. CIE defines Daily Active Users ("DAU") as the number of individuals who played one of its games during a particular day on a particular platform. Under this metric, an individual who plays two different games on the same

day is counted as two Daily Active Users. Similarly, an individual who plays the same game on two different platforms (e.g., web and mobile) or on two different social networks on the same day would be counted as two Daily Active Users. Average Daily Active Users for a particular period is the average of the Daily Active Users for each day during that period. CIE uses Daily Active Users as a measure of audience engagement.

Monthly Active Users. CIE defines Monthly Active Users ("MAU") as the number of individuals who played a particular game in the 30-day period ending with the measurement date on a particular platform. Under this metric, an individual who plays two different games in the same 30-day period is counted as two Monthly Active Users. Similarly, an individual who plays the same game on two different platforms (e.g., web and mobile) or on two different social networks in a 30-day period would be counted as two Monthly Active Users. Average Monthly Active Users for a particular period is the average of the Monthly Active Users at each month-end during that period. CIE uses Monthly Active Users as a measure of total game audience size.

Monthly Unique Users. CIE defines Monthly Unique Users ("MUU") as the number of unique individuals who played any of its games on a particular platform in the 30-day period ending with the measurement date. An individual who plays more than one of CIE's games in a given 30-day period would be counted as a single monthly unique user. However, because CIE cannot always distinguish unique individuals playing across multiple platforms, an individual who plays any of its games on two different platforms (e.g., web and mobile) in a given 30-day period may be counted as two Monthly Unique Users in the event that CIE does not have data that allows it to identify and separate the player. Because many of CIE's players play more than one game in a given 30-day period, Monthly Unique Users are always lower than Monthly Active Users in any given time period. Average Monthly Unique Users for a particular period is the average of the Monthly Unique Users at each month-end during that period. Starting in 2012, CIE began tracking Monthly Unique Users as a measure of total audience reach across its network of games.

Average Revenue per User. CIE defines Average Revenue per User ("ARPU") as (i) the total revenue in a given period, (ii) divided by the number of days in that period, (iii) divided by the average Daily Active Users during the period. CIE believes that Average Revenue per User provides useful information to investors and others in understanding and evaluating its results in the same manner as the management and Board. CIE uses Average Revenue per User as a measure of overall monetization across all of its players through the sale of virtual goods.

Monthly Unique Payers. CIE defines Monthly Unique Payers ("MUP") as the number of unique individuals who purchased virtual currency in any of its games on a particular platform in the 30-day period ending with the measurement date. An individual who makes multiple purchases of virtual currency on more than one of CIE's games on a particular platform in a given 30-day period would be counted as a single Monthly Unique Payer. However, because CIE cannot always distinguish unique individuals purchasing virtual currency across multiple platforms, an individual who makes a purchase of virtual currency on any of CIE's games on two different platforms (e.g., web and mobile) in a given 30-day period may be counted as two Monthly Unique Payers in the event that CIE does not have data that allows it to identify and separate the paying user. Average Monthly Unique Payers for a particular period is the average of the Monthly Unique Payers at each month-end during that period. CIE uses Monthly Unique Payers as a measure of monetization across all of its players through the sale of virtual goods.

The table below shows the results of CIE's social and mobile games business, using the financial and operating metrics described above, for the periods indicated. Revenues are presented in millions of dollars, user statistics are presented in thousands of users, and average revenues per user is presented in dollars.

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Total Revenues	\$ 74.7	\$ 51.7	\$ 212.0	\$ 142.5
Web	\$ 39.0	\$ 27.6	\$ 109.3	\$ 81.7
Mobile	\$ 35.7	\$ 24.1	\$ 102.7	\$ 60.8
Average DAUs(1)	4,803	4,730	5,005	4,590
Web(1)	2,549	3,257	2,824	3,569
Mobile(1)	2,254	1,473	2,181	1,021
Average MAUs(1)	16,354	17,200	17,003	17,091
Web(1)	8,433	11,773	9,586	13,029
Mobile(1)	7,921	5,427	7,417	4,062
Average MUUs	14,615	15,553	15,203	15,809
Average MUPs	200	214	194	201
ARPU(1)	\$ 0.17	\$ 0.14	\$ 0.16	\$ 0.14
Web(1)	\$ 0.17	\$ 0.12	\$ 0.14	\$ 0.11
Mobile(1)	\$ 0.17	\$ 0.19	\$ 0.17	\$ 0.24

⁽¹⁾Operating metrics include numbers from Buffalo Studios prior to CIE's December 2012 acquisition of substantially all of the net assets of Buffalo Studios.

Consistent with the social and mobile business model, only a small portion of CIE's social and mobile games players pay for virtual goods. During the three and nine months ended September 30, 2013, CIE's social and mobile games business had approximately 200 thousand and 194 thousand average Monthly Unique Payers, respectively, or 1.4% and 1.3% of the total number of average Monthly Unique Users on the social and mobile platforms during this period, purchase virtual goods, respectively. Because the opportunity for social interactions and player generated promotion through playing platforms increases as the overall number of players increase, CIE believes that maintaining and growing its total number of players, including the number of players who may not purchase virtual goods, is important to the success of its business. The sale of virtual goods, however, constitutes the primary source of revenue for CIE's social and mobile games business. The degree to which game players choose to pay for virtual goods in the games is driven by CIE's ability to create content that enhances the game-play experience. CIE's revenue and overall financial performance are affected by the number of players and the effectiveness of its monetization of players through the sale of virtual goods.

CIE's user metrics are impacted by several factors that cause them to fluctuate on a quarterly basis. Growth in the performance metrics is largely attributable to growth of the *Slotomania* and *Bingo Blitz* games on mobile platforms and increased popularity of the Caesars Casino game, combined with effective marketing efforts and new content. Future growth in audience and engagement will depend on CIE's ability to retain current players, attract new players, launch new games and expand into new markets and distribution platforms.

The initial introduction of *Slotomania* into the mobile space, and the phased launch across multiple platforms and geographies resulted in a significant average revenue per user in the early stages of roll-out, declining to a more normalized average revenue per user once the rollout of *Slotomania* had reached several platforms in a significant number of geographies. Overall, CIE expects average revenue per user to be slightly higher on the mobile platforms based upon the relative ease of the tablet payment process and the overall user demographics of tablet users, when compared to the purchase process and user demographics of web platforms.

For the three and nine months ended September 30, 2013, approximately 33% of CIE's social and mobile games revenue was generated from outside of the United States in both periods. CIE's ability to grow its social and mobile games revenue outside of the United States in the future will depend on a number of factors, including, among others, the growth in the number of overall international players, localization of content and the availability of payment options. The table below shows the revenue generated from CIE's social and mobile games business by geographic region for the periods listed and assumes that deferred revenues are spread proportionately across all geographies.

<u>(In millions)</u>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
North America	\$ 50.1	\$ 29.3	\$ 141.1	\$ 82.2
South America	0.6	0.3	1.6	0.8
Europe	8.1	6.6	24.6	19.6
Asia/Pacific	15.7	15.3	44.0	39.4
Africa and Rest of the World	0.2	0.2	0.7	0.5

Combined Operating Results

<u>(In millions)</u>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues	\$ 162.4	\$ 130.7	\$ 470.6	\$ 379.8
Income from operations	30.3	19.8	32.0	63.2
Net income attributable to Growth Partners	43.8	29.5	90.4	89.2

Revenues of Growth Partners for the three months ended September 30, 2013 increased by \$31.7 million when compared with the same period in 2012, driven by the December 2012 acquisition of substantially all of the assets of Buffalo Studios in the Interactive Entertainment segment, and by increased food and beverage revenues within the Casino Properties and Developments segment. Income from operations for the three months ended September 30, 2013 and 2012 was \$30.3 million and \$19.8 million, respectively, also driven by these same factors.

Revenues of Growth Partners for the nine months ended September 30, 2013 increased by \$90.8 million when compared with the same period in 2012, driven by the 2012 acquisition of substantially all of the net assets of Buffalo Studios in the Interactive Entertainment segment, and by increased food and beverage revenues within the Casino Properties and Developments segment. Income from operations for the nine months ended September 30, 2013 and 2012 was \$32.0 million and \$63.2 million, respectively, driven by a fair value adjustment of \$48.9 million related to contingent consideration for the acquisition of Buffalo Studios. Absent this charge, income from operations for the nine months September 30, 2013 would have increased by \$17.7 million when compared with the same period in 2012 driven by the combination of the acquisition of Buffalo Studios and the income impact of increased food and beverage revenues.

Reportable Segments Operating Results

Interactive Entertainment

<u>(In millions)</u>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues	\$ 78.9	\$ 56.6	\$ 221.5	\$ 153.4
Income/(loss) from operations	21.9	12.3	(5.8)	33.7
Adjusted Segment EBITDA(1)	29.8	22.7	70.5	57.0

⁽¹⁾ See "Reconciliations of Adjusted Segment EBITDA to Net Income" for a reconciliation of Adjusted Segment Earnings Before Interest Income/Expense, Income Taxes, Depreciation and Amortization ("EBITDA") to net income.

Interactive Entertainment revenues increased by \$22.3 million for the three months ended September 30, 2013 compared to the same period in 2012, primarily as a result of the December 2012 acquisition of substantially all of the net assets of Buffalo Studios and its social and mobile games applications, including Bingo Blitz. Income from operations for the three months ended September 30, 2013 and 2012 was \$21.9 million and \$12.3 million, respectively, increasing as a result of the December 2012 acquisition of Buffalo Studios, combined with reduced stock compensation expense in 2013 as compared to 2012.

Interactive Entertainment revenues increased by \$68.1 million for the nine months ended September 30, 2013 compared to the same period in 2012, primarily as a result of the 2012 acquisition of Buffalo Studios. Loss from operations for the nine months ended September 30, 2013 was \$5.8 million, compared with income from operations for the same period in 2012 of \$33.7 million. The decrease was driven by a fair value adjustment of \$48.9 million related to contingent consideration for the acquisition of Buffalo Studios. Absent this charge, income from operations for the nine months ended September 30, 2013 would have increased by \$9.4 million when compared with the same period in 2012. The increase in income from operations

for 2013 when compared to 2012 was primarily attributable to the acquisition of Buffalo Studios, the impact of which was partially offset by increased stock compensation expense in 2013.

Casino Properties and Developments

(In millions)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues	\$ 83.5	\$ 74.1	\$ 249.1	\$ 226.4
Income from operations	8.4	7.5	37.8	29.5
Adjusted Segment EBITDA ⁽¹⁾	13.6	13.2	57.7	47.4

⁽¹⁾ See "Reconciliations of Adjusted Segment EBITDA to Net Income" for a reconciliation of Adjusted Segment EBITDA to net income.

We measure the performance of our Casino Properties and Developments segment in part through tracking of trips by rated customers, which means a customer whose gaming activity is tracked through Caesars Entertainment's Total Rewards system, referred to as "trips", and spend per rated customer trip, referred to as "spend per trip". A trip is created by a Total Rewards card holder engaging in one or more of the following activities while at our property: (1) hotel stay, (2) gaming activity or (3) a comp redemption, which means the receipt of a complimentary item given out by our casino. Customer spend means the cumulative rated theoretical spend (which is the amount of money expected to be retained by the casino based upon the mathematics underlying the particular game as a fraction of the amount of money wagered by the customer) across all game types for a specific customer. The average combined hold is the percentage of the amount wagered across all game types (including table games and slot machines) that the casino retained.

Casino Properties and Developments net revenues increased in the three months ended September 30, 2013 when compared with the same period in 2012 resulting primarily from increased revenues associated with food and beverage offerings. Casino revenues for the three months ended September 30, 2013 were virtually flat when compared with the same period in 2012. Total trips decreased in the three months ended September 30, 2013 when compared with the same period in 2012 driven by decreases in trips by lodgers (customers who stayed in our hotel property). Trips by non-lodgers (customers not staying in our hotel) during the third quarter of 2013 increased when compared with the third quarter of 2012. Total spend per trip increased, and average combined gross hold increased from 11.9% in the third quarter of 2012 to 12.0% in third quarter of 2013. Cash average daily room rates for the three months ended September 30, 2013 increased to \$108 from \$99, or approximately nine percent, when compared to the same period of 2012, primarily resulting from the introduction of resort fees. Total occupancy percentages decreased from an average daily occupancy of 95.0% in the third quarter of 2012 to 93.9% in third quarter in 2013. Revenue per available room ("RevPar") for the three months ended September 30, 2013 and 2012 was \$104 and \$97, respectively.

Food and beverage revenues for the three months ended September 30, 2013 and 2012 were \$21.9 million and \$17.5 million, respectively. This increase was driven largely by the opening of a newly branded restaurant combined with increased banquet business.

Casino Properties and Developments net revenues increased in the nine months ended September 30, 2013 when compared with the same period 2012. Total trips increased in the nine months ended September 30, 2013 when compared with the same period in 2012 driven by increases in trips by non-lodgers. Trips by lodgers during the first nine months of 2013 decreased when compared with first nine months of 2012. Total spend per trip increased, despite average combined gross hold decreasing from 12.0% in the first nine months of 2012 to 11.7% in the same period of 2013. Cash average daily room rates for the first nine months of 2013 increased to \$111 from \$105, or approximately six percent, when compared to the same period in 2012 primarily resulting from the introduction of resort fees. Total occupancy percentages increased from an average daily occupancy of 94.3% in the first nine months of 2012 to 94.7% in the same period of 2013. RevPar for the nine months ended September 30, 2013 and 2012 was \$107 and \$101, respectively.

Food and beverage revenues for nine months ended September 30, 2013 and 2012 were \$64.9 million and \$52.3 million, respectively. This increase was driven largely by the opening of a newly branded restaurant combined with increased banquet business.

Income from operations increased in both the three and nine months ended September 30, 2013 when compared with the same periods in 2012 primarily due to the income impact of increased revenues.

We often provide incentives for customers to stay and play at our properties. We provide such incentives to our customers based on a number of factors such as marketing plans, competitive factors, economic conditions, and regulations. These

incentives come in a variety of different forms including free and discounted product, gaming credits, food and beverage, hotel rooms credits, and other forms. The retail value of accommodations, food and beverage, and other services furnished to casino guests is included in gross revenue and then deducted as promotional allowances. Hence, net revenues as discussed above exclude all promotional allowances. We believe our allocation of promotional allowances to be within industry standards and appropriate for the Planet Hollywood brand and competitive environment.

Other Factors Affecting Net Income

<u>(In millions)</u>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Interest expense, net of interest capitalized	\$ (15.8)	\$ (10.0)	\$ (36.1)	\$ (31.9)
Interest income - related party	44.9	37.0	128.0	106.4
Loss on early extinguishment of debt	(0.3)	—	(0.5)	—
Other income/(expense), net	—	0.6	0.3	1.5
Provision for income taxes	(18.5)	(17.2)	(37.6)	(49.0)
Net loss/(income) attributed to non-controlling interests	3.2	(0.7)	4.3	(1.0)

Interest expense, net of interest capitalized

Interest expense, net of interest capitalized, was up in both the third quarter of 2013 when compared with the third quarter of 2012, and for the first nine months of 2013 compared to the same period in 2012.

CIE borrowed funds from Caesars Entertainment in May 2011 and December 2011 to fund the original acquisition of Playtika Ltd. ("Playtika") and the subsequent purchase of the remaining minority interest in Playtika, respectively. Throughout 2012, CIE made significant payments of principal on this related party debt. In December 2012 funds were again borrowed from Caesars Entertainment to fund the acquisition of substantially all of the assets of Buffalo Studios. Interest expense, net of interest capitalized, was \$0.8 million and \$0.6 million during the three months ended September 30, 2013 and 2012, respectively. The average balance outstanding for the first nine months of 2013 was lower than the same period in 2012, resulting in interest expense, net of interest capitalized, of \$1.9 million and \$3.6 million for the nine months ended September 30, 2013 and 2012, respectively.

Interest expense associated with the Planet Hollywood secured loan increased from \$9.4 million in third quarter of 2012 compared to \$9.8 million in the third quarter of 2013 and again in the first nine months of 2012 from \$28.3 million to \$29.0 million in the first nine months of 2013. Increases to the expense resulted from increased amortization of debt discount.

In July 2013, Growth Partners entered into the Baltimore Credit Facility. Interest expense associated with this facility was \$5.2 million in third quarter and nine months ended September 30, 2013.

Interest expense associated with contingent consideration and capital lease obligations was not material to any period presented.

Interest income-related party

Growth Partners generates interest income on its portfolio of approximately \$1.1 billion of aggregate principal amount of CEOC Notes. The CEOC Notes have fixed interest rates ranging from 5.63% to 10.75% and maturities ranging from 2015 to 2018. The increase in interest income in both the third quarter of 2013 when compared with the third quarter of 2012, and for the first nine months of 2013 compared to the same period in 2012 is primarily the result of increased accretion of discount originally recorded as a result of purchasing the senior notes at market prices significantly below face value.

Loss on early extinguishment of debt

The Planet Hollywood secured loan contains excess cash flow provisions which require mandatory prepayment of debt when certain conditions are met. The mandatory prepayments made during the quarter and nine months ended September 30, 2013 did not result in a material impact on the accompanying financial statements.

Other income, net

Other income for the third quarter and the nine months ended September 30, 2012 consists primarily of \$0.1 million and \$0.3 million in foreign exchange gain resulting from our Playtika operations based in Israel, \$0.2 million and \$0.8 million in income received from a third-party in connection with our joint agreement to promote, advocate and support the enactment of a

California online poker law, and a \$0.3 million and \$0.3 million gain resulting from the fair value measurement of a warrant granted to Rock Gaming Mothership LLC ("Rock Gaming") for the purchase of CIE's common stock, respectively.

Provision for income taxes

The provision for income taxes represent the allocated income taxes from the consolidated Caesars Entertainment provision for income taxes as if Growth Partners filed separate U.S. federal, state, and foreign income tax returns. The provision for income taxes for the periods presented differ from expected federal tax rate of 35% primarily due to tax benefits from foreign operations offset by nondeductible stock based compensation and nondeductible expenses including lobbying expenditures and professional fees.

The effective tax rate for the three months ended September 30, 2013 and 2012 was 31.3% and 36.3% respectively. The effective tax rate for the nine months ended September 30, 2013 and 2012 was 30.4% and 35.2% respectively. The primary cause for the difference from the federal statutory rate of 35% is due to tax benefits from foreign earnings taxed at lower rates and from a favorable tax ruling in Israel received in February 2013.

Net loss/(income) attributed to non-controlling interests

For all periods presented, non-controlling interest was primarily attributable to the Maryland Joint Venture.

Reconciliations of Adjusted Segment EBITDA to Net Income

Growth Partners uses Adjusted Segment EBITDA (earnings before interest income/expense, income taxes, depreciation and amortization) as a supplemental measure of its performance. EBITDA is comprised of net income before (i) interest expense, net of capitalized interest, (ii) interest income, (iii) provision for income taxes, and (iv) depreciation and amortization expense. Adjusted Segment EBITDA is comprised of EBITDA, further adjusted for certain items that Growth Partners does not consider indicative of its ongoing operating performance.

Adjusted Segment EBITDA, as calculated in this 10-Q, may not be comparable to similarly titled measures reported by other companies within the industry. In evaluating Adjusted Segment EBITDA, you should be aware that in the future Growth Partners may incur expenses that are the same or similar to some of the adjustments in this presentation. Growth Partners' presentation of Adjusted Segment EBITDA should not be construed as an inference that its future results will be unaffected by unusual or unexpected items.

Adjusted Segment EBITDA is a non-GAAP financial measure commonly used in the interactive entertainment and gaming industry and should not be construed as an alternative to net income/(loss) as an indicator of operating performance or as an alternative to cash flow provided by operating activities as a measure of liquidity as determined in accordance with GAAP. We have included the Adjusted Segment EBITDA of Growth Partners because Growth Partners' management uses Adjusted Segment EBITDA to measure performance and allocate resources, and we believe that Adjusted Segment EBITDA provides potential indirect investors in Growth Partners, through direct investment in CAC, with additional information consistent with that used by the management of Growth Partners.

<u>(In millions)</u>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Adjusted Segment EBITDA				
Interactive Entertainment	\$ 29.8	\$ 22.7	\$ 70.5	\$ 57.0
Casino Properties and Developments	13.6	13.2	57.7	47.4
	43.4	35.9	128.2	104.4
Reconciliation				
Stock-based compensation(a)	(1.8)	(6.8)	(12.2)	(11.6)
Lobbying expense(b)	(1.0)	(0.9)	(2.1)	(2.9)
Acquisition and integration costs(c)	(0.3)	(0.9)	(0.5)	(3.6)
Fair value of contingent consideration(d)	—	—	(48.9)	—
Loss on early extinguishment of debt	(0.3)	—	(0.5)	—
Write-downs, reserves, recoveries, and project opening costs(e)	1.5	0.6	(0.2)	1.1
Other (expense)/income, net	—	0.6	0.3	1.5
EBITDA	41.5	28.5	64.1	88.9
Depreciation and amortization	(11.5)	(8.1)	(32.3)	(24.2)
Interest expense, net of interest capitalized	(15.8)	(10.0)	(36.1)	(31.9)
Interest income - related party	44.9	37.0	128.0	106.4
Provision for income taxes	(18.5)	(17.2)	(37.6)	(49.0)
Net income	<u>\$ 40.6</u>	<u>\$ 30.2</u>	<u>\$ 86.1</u>	<u>\$ 90.2</u>

^(a) Amounts represent non-cash stock-based compensation expense.

^(b) Amounts represent expenses incurred in the Interactive Entertainment segment in connection with active participation in lobbying efforts for the approval of online poker and the finalization of the supporting internet gaming regulations, primarily in the United States.

^(c) Amounts include certain one-time costs incurred by the Interactive Entertainment segment associated with the 2012 acquisition of substantially all of the assets of Buffalo Studios and the 2011 acquisition of Playtika.

^(d) This amount represents the change in fair value of contingent consideration for the acquisition of Buffalo Studios.

^(e) For the three month and the nine month period ended September 30, 2012, the amounts primarily represent development costs incurred in connection with the Maryland Joint Venture and income earned under an agreement with a time share partner, which expired in March 2012. For the three month and the nine month period ended September 30, 2013, the amount primarily represents project opening costs related to the construction and planned casino operations of Horseshoe Baltimore.

Liquidity and Capital Resources

Capital Spending

Growth Partners incurs capital expenditures in the normal course of business, performs ongoing refurbishment and maintenance at Planet Hollywood, and performs ongoing maintenance and enhancements to its social and mobile games to maintain their quality standards. Cash used for capital expenditures in the normal course of business is typically made available from cash flows generated by operating activities. Growth Partners may also pursue acquisition opportunities for additional businesses or social or mobile games that meet its strategic and return on investment criteria.

Growth Partners' planned development projects, if they go forward, will require significant capital commitments and, if completed, may result in significant additional revenues. The commitment of capital, the timing of completion, and the commencement of operations of development projects are contingent upon, among other things, negotiation of final agreements and receipt of requisite approvals from the applicable political and regulatory bodies. Excluding amounts spent for the purchases of businesses, Growth Partners' capital spending for the nine months ended September 30, 2013 and 2012 totaled \$50.3 million and \$11.1 million, respectively. The majority of the 2013 capital spending relates to Horseshoe Baltimore.

Growth Partners' near term capital requirements for Horseshoe Baltimore are expected to be funded by the Baltimore Credit Facility, as defined and further discussed in the Capital Resources section below.

Liquidity

Growth Partners' primary sources of liquidity are the cash flows generated from its operations, interest income generated from its investments in the CEOC Notes, borrowings under CIE's credit facility with Caesars Entertainment and currently

available cash and cash equivalents. Growth Partners' cash and cash equivalents totaled \$203.1 million and \$155.6 million at September 30, 2013 and December 31, 2012, respectively. In addition, Growth Partners had short-term investments of \$5.0 million and \$7.5 million at September 30, 2013 and December 31, 2012, respectively. Payments of short-term debt obligations and other commitments are expected to be made from operating cash flows. Long-term obligations are expected to be paid through operating cash flows, refinancing of existing debt or the issuance of new debt, or, if necessary, additional investments from its equity holders. Growth Partners' operating cash inflows are used for operating expenses, debt service costs, working capital needs and capital expenditures in the normal course of business.

Growth Partners' restricted cash totaled \$261.0 million and \$30.6 million at September 30, 2013 and December 31, 2012, respectively. Restricted cash and cash equivalents include amounts restricted under the terms of the Baltimore Credit Facility and Planet Hollywood debt agreement. The Planet Hollywood debt agreement requires that Growth Partners maintain certain reserves for payment of property taxes, insurance, interest and ongoing furniture, fixtures and equipment purchases or property development. The classification between current and long-term is dependent upon the intended use of each particular reserve.

At September 30, 2013 and December 31, 2012, Caesars Interactive had cash balances in its subsidiary located in Israel of \$28.0 million and \$16.2 million, respectively. Growth Partners may use the cash in the Playtika subsidiary to repay debt payable to related parties, fund operations at Playtika, or pursue international acquisitions or repatriate the cash to CIE. Although Growth Partners does not intend to repatriate earnings from its foreign subsidiaries in the foreseeable future, if circumstances change and they were to repatriate cash at Playtika to CIE, Growth Partners would likely incur additional taxes.

As of September 30, 2013 and December 31, 2012, CIE had \$39.8 million and \$46.8 million, respectively of book value of indebtedness outstanding and payable to Caesars Entertainment, and Planet Hollywood had \$471.9 million and \$459.8 million, respectively, of book value of indebtedness outstanding and payable to third-party lenders. In addition, at September 30, 2013, Horseshoe Baltimore had \$218.5 million of book value of indebtedness outstanding and payable to third-party lenders. Cash paid for interest for the nine months ended September 30, 2013 and 2012 was \$26.0 million and \$15.3 million, respectively.

Growth Partners' ability to fund its operations, pay its debt obligations and fund planned capital expenditures depends, in part, upon economic and other factors that are beyond its control, and disruptions in capital markets could impact Growth Partners' ability to secure additional funds through financing activities. Growth Partners believes that its cash and cash equivalents balance and its cash flows from operations will be sufficient to meet its normal operating requirements during the next 12 months and the foreseeable future and to fund capital expenditures.

Capital Resources

CIE has entered into an unsecured credit facility with Caesars Entertainment whereby Caesars Entertainment provided to CIE unsecured intercompany loans as requested by CIE and approved by Caesars Entertainment on an individual transaction basis. The outstanding balance on this credit facility was \$39.8 million and \$46.8 million as of September 30, 2013 and December 31, 2012, respectively. No principal payments are required on the unsecured intercompany loans until their maturity date of November 29, 2016. The unsecured intercompany loans bear interest on the unpaid principal amounts at a rate per annum equal to London Inter-Bank Offered Rate ("LIBOR") plus 5%. This credit facility does not have any restrictive or affirmative covenants.

In March 2012, Rock Gaming and CIE entered into an agreement pursuant to which Rock Gaming purchased approximately 6,155 shares of CIE common stock for \$30.4 million in cash and agreed to purchase additional shares of CIE common stock on or before July 2, 2012. CIE used the proceeds from this sale to prepay a portion of the then outstanding balance on the credit facility.

In June 2012, CIE and Rock Gaming modified the agreement with Rock Gaming such that CIE issued to Rock Gaming approximately 382 shares of CIE common stock and a promissory note for \$28.5 million in exchange for \$30.4 million in cash. The promissory note is convertible into approximately 5,773 shares of CIE common stock. In November 2012, CIE issued to Rock Gaming an additional promissory note for \$19.2 million in exchange for \$19.2 million in cash. The additional promissory note is convertible into approximately 3,140 shares of CIE common stock. The ability to convert the promissory notes into shares is subject to the satisfaction of certain specified criteria and both promissory notes are classified as long-term in our Combined Condensed Balance Sheets at September 30, 2013 and December 31, 2012.

On February 19, 2010, CEOC acquired 100% of the equity interests of PHW Las Vegas, LLC, which owned Planet Hollywood. In connection with the acquisition by CEOC, PHW Las Vegas, LLC assumed a \$554.3 million, face value, senior

secured loan, and a subsidiary of CEOC cancelled certain debt issued by PHW Las Vegas, LLC's predecessor entities. The outstanding amount is secured by the assets of PHW Las Vegas, LLC.

In connection with the acquisition of Planet Hollywood by Caesars Entertainment in 2010 and the assumption of debt, PHW Las Vegas, LLC entered into the Amended and Restated Loan Agreement (the "Planet Hollywood Loan Agreement") with Wells Fargo Bank, N.A., as trustee for The Credit Suisse First Boston Mortgage Securities Corp. Commercial Mortgage Pass-Through Certificates, Series 2007-TFL2 ("Lender"). On October 26, 2011, Caesars exercised its option to extend the Planet Hollywood senior secured loan to 2013. The loan contains an additional extension option which, if exercised, would extend its maturity until April 2015. The conditions to extend the maturity date are (i) no default or event of default on the date that notice of the extension is given and on the first extended maturity date of December 9, 2013, (ii) notice of the election of the extension, (iii) the purchase of an interest rate cap (or provision of an acceptable alternative letter of credit or other support) with a strike price such that the Debt Service Coverage Ratio is at least 1.10:1.00 as of the first extended maturity date and (iv) the ratio of (a) the Adjusted Net Cash Flow (defined as gross income from operations less operating expenses less 3% of gross income from operations) for the trailing twelve calendar month period to (b) the outstanding principal balance of the loan as of the first extended maturity date is not less than nine percent. Growth Partners intends and expects to have the ability to satisfy the conditions to extend the maturity to April 2015.

The book values of outstanding debt under the Planet Hollywood Loan Agreement were \$471.9 million and \$459.8 million at September 30, 2013 and December 31, 2012, respectively, and bear interest on the unpaid principal balance at a rate per annum equal to LIBOR plus 2.859%.

CBAC Borrower, LLC ("CBAC"), a joint venture among Caesars Baltimore Investment Company, LLC, a wholly-owned indirect subsidiary of CEOC ("Caesars Baltimore"), Rock Gaming Mothership LLC, CVPR Gaming Holdings, LLC, STRON-MD Limited Partnership and PRT Two, LLC, entered into a credit agreement on July 2, 2013 (the "Baltimore Credit Facility") in order to finance the acquisition of land in Baltimore, Maryland and the construction of the Horseshoe Baltimore and a garage (collectively, the "Baltimore Development"). The Baltimore Credit Facility provides for (i) a \$300.0 million senior secured term facility with a seven-year maturity, which is comprised of a \$225.0 million facility that was funded upon the closing of the Baltimore Credit Facility, a \$37.5 million delayed draw facility available from the closing of the Baltimore Credit Facility until the 12-month anniversary of the closing and a \$37.5 million delayed draw facility available until the 18-month anniversary of the closing and (ii) a \$10.0 million senior secured revolving facility with a five-year maturity. The Baltimore Credit Facility is secured by substantially all material assets of CBAC and its wholly-owned domestic subsidiaries. In connection with the foregoing, Caesars Baltimore and the other joint venture partners each provided, on a several and not joint basis, a completion guarantee with respect to the Baltimore Development, which guarantees completion of the construction of the Baltimore Development, availability of contemplated working capital and the discharge, bonding or insuring over of certain liens in connection with the Baltimore Development. The maximum liability of Caesars Baltimore under its completion guarantee is approximately \$9.1 million.

CAUTIONARY STATEMENT PURSUANT TO THE PRIVATE

SECURITIES LITIGATION REFORM ACT OF 1995

This Quarterly Report on Form 10-Q contains or may contain “forward-looking statements” intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. You can identify these statements by the fact that they do not relate strictly to historical or current facts. These statements contain words such as “may,” “will,” “project,” “might,” “expect,” “believe,” “anticipate,” “intend,” “could,” “would,” “estimate,” “continue,” or “pursue,” or the negative of these words or other words or expressions of similar meaning may identify forward-looking statements and are found at various places throughout this Quarterly Report on Form 10-Q. These forward-looking statements, including, without limitation, those relating to future actions, new projects, strategies, future performance, the outcome of contingencies such as legal proceedings, and future financial results, wherever they occur in this Quarterly Report on Form 10-Q, are based on our current expectations about future events and are necessarily estimates reflecting the best judgment of CAC’s management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements.

Investors are cautioned that forward-looking statements are not guarantees of future performance or results and involve risks and uncertainties that cannot be predicted or quantified, and, consequently, the actual performance of CAC may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to, the following factors, as well as other factors described from time to time in the Company’s reports filed with the Securities and Exchange Commission (including the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained therein):

- CAC and CGP LLC’s dependence on Caesars Entertainment and its subsidiaries to provide support and services, as well as CGP LLC’s dependence on Caesars Entertainment’s senior management’s expertise and its participation in Caesars Entertainment’s Total Rewards loyalty program;
- the effects of a default by Caesars Entertainment on certain debt obligations;
- Caesars Entertainment’s interests may conflict with CGP LLC’s interests and may possibly keep all potential development opportunities for itself;
- the adverse effects if Caesars Entertainment or any of its subsidiaries were to file for bankruptcy;
- the effects if a third party successfully challenges Caesars Entertainment or its affiliates ownership of, or right to use, the intellectual property owned or used by subsidiaries of Caesars Entertainment, which CIE licenses for use in its businesses;
- CIE’s reliance on subsidiaries of Caesars Entertainment to obtain online gaming licenses in certain jurisdictions, such as New Jersey;
- the adverse effects on CAC’s ability to comply with certain obligations imposed by federal securities law and certain debt arrangements if it is determined that Deloitte & Touche LLP was not independent of Caesars Entertainment or CGP LLC;
- the difficulty of operating CGP LLC’s business separately from Caesars Entertainment and managing that process effectively could take up a significant amount of management’s time;
- CGP LLC’s business model and short operating history;
- CGP LLC’s ability to realize the anticipated benefits of current or potential future acquisitions and the ability to timely and cost-effectively integrate companies that CGP LLC acquires into its operations;
- the additional capital that CGP LLC may require to support business growth may not be available on acceptable terms;
- the adverse effects of extensive governmental regulation and taxation policies, which are applicable to CGP LLC, are enforced;
- the effects of local and national economic, credit and capital market conditions on the economy in general, and on the gaming industry in particular;
- the sensitivity of CAC’s business to reductions in discretionary consumer spending;
- the new and rapidly changing industry in which CGP LLC operates, such as CIE’s social and mobile games business and internet gaming business;
- any failure to protect CGP LLC’s trademarks or other intellectual property, such as CIE’s ownership of the “World Series of Poker” trademark;
- abnormal gaming holds (“gaming hold” is the amount of money that is retained by the casino from wagers by customers);

- the effects of competition, including locations of competitors and operating and market competition, particularly the intense competition Planet Hollywood faces from other hotel casino resorts in Las Vegas and Horseshoe Baltimore faces from other regional casinos and resorts;
- the uncertainty surrounding whether CIE's games, such as Slotomania, will retain their popularity;
- CIE's ability to launch new games on new and emerging platforms;
- CIE's reliance on a small portion of its total players for nearly all of its revenue from its social and mobile games;
- CAC's ability to expand into international markets in light of additional business, regulatory, operational, financial and economic risks associated with such expansion;
- evolving regulations concerning the social and mobile games industry as well as data privacy, including, but not limited to, the effect of U.S. and foreign laws, some of which are unsettled and still developing;
- the low barriers to entry and intense competition of social and mobile games industry could have adverse effect on CIE and CGP LLC;
- evolving U.S. and foreign laws could subject CIE to claims and prevent CIE from providing its current games to players or to modify its games;
- the effect on CGP LLC's business strategy if real money online poker is not legalized in states other than Delaware, Nevada or New Jersey in the United States or is legalized in an unfavorable manner;
- construction factors, including delays, increased costs of labor and materials, availability of labor and materials, zoning issues, environmental restrictions, soil and water conditions, weather and other hazards, site access matters and building permit issues; and
- political and economic uncertainty created by terrorist attacks and other acts of war or hostility.

Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made. CAC disclaims any obligation to update the forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated or, if no date is stated, as of the date of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosure About Market Risk**CAESARS ACQUISITION COMPANY**

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. As CAC will only hold an investment in CGP LLC accounted for using the HLBV form of the equity method of accounting, we do not believe that CAC has significant market risk exposure.

CAC will not purchase or hold any derivative financial instruments for hedging or trading purposes.

GROWTH PARTNERS

Growth Partners' primary exposure to market risk is expected to be interest rate risk associated with our investments. Upon consummation of the Transactions, our investment in debt securities, which will be classified as available-for-sale and reported at fair value, will include investments in notes issued by a subsidiary of Caesars Entertainment. As these investments are not diversified across industries or companies, Growth Partners is subject to a significant concentration of credit risk.

Planet Hollywood has an interest rate cap agreement for a notional amount of \$517.7 million at a LIBOR cap rate of 7.0%, which matures on December 9, 2013. Caesars Interactive has an unsecured credit facility with Caesars Entertainment for a notional amount of \$39.8 million at a rate of LIBOR plus 5%, which matures on November 29, 2016. Assuming a constant outstanding balance for our variable rate debt with both third parties and with related parties for the next twelve months, a hypothetical 1% increase in interest rates would increase interest expense for the next twelve months by \$5.6 million. At September 30, 2013, the weighted average USD LIBOR rate on our variable rate debt was 0.24%. A hypothetical reduction of this rate to 0% would decrease interest expense for the next twelve months by \$1.3 million.

Growth Partners does not purchase or hold any derivative financial instruments for trading purposes.

Growth Partners generates a significant portion of its social and mobile games revenue outside the United States. Foreign currency transaction gains and losses were not material to Growth Partners' results of operations for the three months ended and the nine months ended September 30, 2013 and 2012. For the three month and nine month period of September 30, 2013 and 2012, Growth Partners recognized \$77.5 thousand and \$69.9 thousand, and \$133.3 thousand and \$135.6 thousand, respectively, in foreign currency transaction losses associated with social and mobile games revenues generated in currencies other than U.S. dollars. Growth Partners' exposure to this foreign currency exchange risk is minimized by the relatively short payment cycles, which is typically every two weeks for payments from Facebook and monthly for payments from Apple.

Growth Partners' other foreign currency risk primarily relates to the operating expenses of CIE's offices in Montreal, Tel Aviv, and the Ukraine. In addition, Growth Partners has currency risk associated with certain license agreements denominated in currencies other than U.S. dollars. In the aggregate, expenses related to operating non-U.S. offices and revenues earned under all non-U.S. dollar denominated agreements were not material to Growth Partners' results for the periods presented.

Item 4. Controls and Procedures

Our principal executive officer and principal financial officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of September 30, 2013. Based on such evaluation, they have concluded that, as of such date, our disclosure controls and procedures are effective and designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in applicable SEC rules and forms, and that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, CAC or Growth Partners may be subject to legal proceedings and claims in the ordinary course of business.

Multiple lawsuits have been filed against CBAC Gaming, LLC (“CBAC”), the City of Baltimore, the Maryland Department of the Environment (“MDE”) and other parties in relation to the proposed location and the development of Horseshoe Baltimore. These cases allege violations of various environmental laws, violations of zoning laws and public nuisance, among other claims. Although CAC and Growth Partners believe that they have adequate defenses to these claims, an adverse judgment could result in additional costs, delays in construction, or injunctions.

In November 2012, the MDE granted approval of the Maryland Joint Venture’s amended Response Action Plan (“RAP”) under MDE’s Voluntary Cleanup Program that named the Maryland Joint Venture, rather than the City of Baltimore, as the party that will implement the RAP and redevelop the proposed location of Horseshoe Baltimore. On February 20, 2013, a group of local residents working with the non-profit Inner Harbor Stewardship Foundation (the “Foundation”) filed a complaint in the Maryland Circuit Court challenging the legality of the MDE’s approval of the amended RAP. In the case, known as *Ruth Sherrill, et al. v. State of Maryland Department of the Environment, et al.*, the Plaintiffs claimed that the amended RAP was approved without complying with the public notice and participation requirements of Maryland law. The Plaintiffs sought additional public notice and participation, and to obtain an injunction on, among other things, any construction activities at the site pending the resolution of the case. On March 14, 2013, the court denied the plaintiffs’ motion for a Temporary Restraining Order and Preliminary Injunction (“TRO”). The plaintiffs’ appeal of the TRO ruling has been dismissed. On April 22, 2013, Plaintiffs filed an Amended Complaint adding a public nuisance claim to their original Complaint. The Maryland Joint Venture filed a motion to dismiss the Plaintiffs’ Amended Complaint and a hearing was held on the motion on June 14, 2013. The Amended Complaint was dismissed on November 6, 2013.

The *Sherrill* plaintiffs issued a notice of intent to file a citizen suit under 42 U.S.C. §§ 6972(a)(1)(A) and (a)(1)(B) of the Resource Conservation and Recovery Act. This notice of intent indicates an intention to sue CBAC, the City of Baltimore, Whiting-Turner, the general contractor for the construction of the Horseshoe Casino, and the Maryland Chemical Company, the former owner and operator of the site. The citizen suit was filed on September 19, 2013, but did not name Whiting-Turner. The defendants filed motions to dismiss on October 15, 2013 for lack of subject matter jurisdiction and failure to state a claim to which plaintiffs responded on November 1, 2013.

The decision of the Board of Municipal Zoning Appeals to grant variances for the site for Horseshoe Baltimore was appealed by separate parties on the basis of alleged procedural irregularities. The appeals were dismissed for lack of standing on October 11, 2013.

On August 1, 2013, ten individuals claiming to represent a class of similarly situated individuals filed a complaint in the U.S. District Court for the Northern District of Maryland against the Maryland Department of the Environment, the City of Baltimore, the U.S. Environmental Protection Agency, CBAC Gaming, LLC, Whiting-Turner Contracting Company, and Urban Green Environmental, LLC. The 11 count complaint alleges that the RAP for the proposed location of Horseshoe Baltimore is inadequate and approved without appropriate public participation. Plaintiffs seek declaratory and injunctive relief, compensatory and punitive damages, and claim violations of civil rights laws and the Clean Water Act, civil conspiracy, and a variety of torts. The plaintiffs also sought a temporary restraining order, which the District Court denied on August 9, 2013. Plaintiffs advised the Court that they intended to amend their complaint within 30 days but did not attempt to do so until October 30, 2013. The Amended Complaint added 27 plaintiffs and named MDE, the City and the Baltimore Development Corporation, and CBAC as defendants. It was rejected by the Clerk’s Office on November 4, 2013 due to plaintiffs’ failure to also file a redline comparison with the original Complaint.

From time to time, the City of Baltimore may be subject to legal proceedings asserting claims related to the site. At this time, CAC and Growth Partners have not been named as parties to these proceedings. However, an unfavorable outcome for the City of Baltimore could lead to construction delays if it were determined that corrective action was required and could not be implemented successfully offsite.

Four residents of Baltimore City and County issued a notice of intent to file a citizen suit under 33 U.S.C. § 1365(b) of the Clean Water Act against the City of Baltimore as owner of the site for water pollution alleged to originate there. A lawsuit

was filed on behalf of two of the residents on July 2, 2013. The City moved to dismiss the complaint on August 28, 2013. One of the plaintiffs withdrew from the case on October 10, 2013.

Two residents of Baltimore City filed suit against the City of Baltimore, as owner of the site, alleging that the City is in violation of Maryland water pollution laws as a result of groundwater contamination alleged to be migrating from the site. The City was served with the complaint on June 12, 2013. An amended complaint was filed on July 19, 2013, which the City moved to dismiss on August 6, 2013. Plaintiffs dismissed the complaint without prejudice on September 12, 2013.

Item 1A. Risk Factors

Below, we are providing, in supplemental form, the material changes to our risk factors that occurred during the past quarter. Our risk factors disclosed in our Registration Statement on Form S-1, as amended (File No. 333-189876) (the "Registration Statement"), provide additional disclosure and context for these supplemental risks and are incorporated herein by reference.

Any violation of the Foreign Corrupt Practices Act or other similar laws and regulations could have a negative impact on us.

CGP LLC is subject to risks associated with doing business outside of the United States, which exposes CGP LLC to complex foreign and U.S. regulations inherent in engaging in a cross-border business and in each of the countries in which CGP LLC and its businesses transacts business. CGP LLC is subject to regulations imposed by the Foreign Corrupt Practices Act ("FCPA") and other anti-corruption laws that generally prohibit U.S. companies and their intermediaries from offering, promising, authorizing or making improper payments to foreign government officials for the purpose of obtaining or retaining business. Violations of the FCPA and other anti-corruption laws may result in severe criminal and civil sanctions as well as other penalties and the SEC and U.S. Department of Justice have increased their enforcement activities with respect to the FCPA. Internal control policies and procedures and employee training and compliance programs that Caesars Entertainment and CIE have implemented to deter prohibited practices may not be effective in prohibiting our employees, contractors or agents from violating or circumventing our policies and the law. If the employees, contractors or agents of Caesars Entertainment, Planet Hollywood and CIE fail to comply with applicable laws or company policies governing its international operations, CGP LLC may face investigations, prosecutions and other legal proceedings and actions which could result in civil penalties, administrative remedies and criminal sanctions. Any determination that we have violated the FCPA could have a material adverse effect on CGP LLC's financial condition. Compliance with international and U.S. laws and regulations that apply to CGP LLC's international operations increase CGP LLC's cost of doing business in foreign jurisdictions. CGP LLC and its businesses also deal with significant amounts of cash in its operations and are subject to various reporting and anti-money laundering regulations. Any violation of anti-money laundering laws ("AML") or regulations, on which in recent years, governmental authorities have been increasingly focused, with a particular focus on the gaming industry, by any of our resorts could have a negative effect on our results of operations. As an example, a major gaming company recently settled a U.S. Attorney investigation into its AML practices. On October 11, 2013, a subsidiary of Caesars Entertainment, Desert Palace, Inc. (the owner of Caesars Palace), received a letter from the Financial Crimes Enforcement Network of the United States Department of the Treasury ("FinCEN"), stating that FinCEN is investigating Caesars Palace for alleged violations of the Bank Secrecy Act to determine whether it is appropriate to assess a civil penalty and/or take additional enforcement action against Caesars Palace. Additionally, Caesars Entertainment has been informed that a federal grand jury investigation related to these matters is on-going. We intend to cooperate fully with both the FinCEN and grand jury investigations. Based on proceedings to date, we are currently unable to determine the probability of the outcome of these matters or the range of reasonably possible loss, if any.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On October 21, 2013, Caesars Entertainment Corporation ("Caesars") distributed to its stockholders as of the record date (October 17, 2013) subscription rights to purchase common stock of Caesars Acquisition Company ("CAC") in connection with a rights offering (the "Offering"), as previously described in CAC's Registration Statement on Form S-1 (File No. 333-189876).

On October 21, 2013, (i) CAC, Caesars Growth Partners, LLC ("Growth Partners") and Caesars and its subsidiaries consummated the Contribution Transaction (as defined below), (ii) affiliates of Apollo Global Management, LLC ("Apollo") and affiliates of TPG Global, LLC ("TPG" and, together with Apollo, the "Sponsors") exercised their basic subscription rights in full to purchase \$457.8 million worth of CAC's Class A common stock at a price of \$8.64 per whole share and CAC used such proceeds to acquire all of the voting units of Growth Partners and (iii) Growth Partners used the proceeds to consummate the Purchase Transaction (as defined below). In connection with the Purchase Transaction and the Contribution Transaction, CAC and Growth Partners entered into agreements with Caesars Entertainment Operating Company, Inc. ("CEO") and its

subsidiaries to provide certain corporate services and back-office support and business advisory services to CAC, Growth Partners and their subsidiaries as described below (such agreements collectively, together with the Purchase Transaction and Contribution Transaction, the “Transactions”). Hamlet Holdings LLC, the members of which are comprised of an equal number of individuals affiliated with each of the Sponsors, beneficially owns approximately 66.3% of our common stock pursuant to an irrevocable proxy providing Hamlet Holdings with sole voting and sole dispositive power over those shares.

In connection with the consummation of the Transactions on October 21, 2013, Caesars contributed all of the shares of Caesars Interactive Entertainment, Inc.’s (“CIE”) outstanding common stock held by a subsidiary of Caesars and approximately \$1.1 billion in aggregate principal amount of senior notes (the “CEOC Notes”) previously issued by CEOC that are owned by another subsidiary of Caesars in exchange for non-voting units of Growth Partners (collectively, the “Contribution Transaction”, and these assets, the “Contributed Assets”). The Contributed Assets had an agreed aggregate value of approximately \$1.304 billion after certain value-related adjustments for the CEOC Notes. This agreed valuation is subject to potential increase by up to \$225.0 million based on earnings from CIE’s social and mobile games business exceeding a specified amount in 2015, which would be conveyed to Caesars or its subsidiaries in the form of additional non-voting units of Growth Partners or Class B common stock of CAC. If prior to July 21, 2014, Growth Partners sells or agrees to sell all of its interests in CIE (or any of its component parts) to any third party other than Caesars, then Caesars will receive concurrent with the closing of such sale, that number of additional non-voting units of CAC that would have been issued to Caesars if the value of CIE (or any of its component parts) at the time of contribution to Growth Partners were increased by the difference between such third party sale price and the applicable valuation price of \$525 million as it relates to CIE (or any of its component parts).

Additionally, on October 21, 2013, Growth Partners used \$360.0 million of proceeds received from CAC to purchase from subsidiaries of Caesars (i) the Planet Hollywood Resort and Casino Located in Las Vegas, Nevada (“Planet Hollywood”), (ii) Caesars’ joint venture interests in a casino to be developed by CBAC Gaming, LLC (the “Maryland Joint Venture”) in Baltimore, Maryland (the “Horseshoe Baltimore”) and (iii) a 50% interest in the management fee revenues for both of those properties (collectively, the “Purchase Transaction”, and these assets, the “Purchased Assets”). A subsidiary of Growth Partners assumed the \$510.0 million of the outstanding secured term loan related to Planet Hollywood (the “PHW Loan”) in connection with the Purchase Transaction.

After the third anniversary of the closing of the Transactions, Caesars will have the right (the “Call Right”), which it may assign to any of its affiliates or to any transferee of all non-voting units of Growth Partners held by Caesars, to acquire all or a portion of the voting units of Growth Partners (or, at our option, shares of CAC’s Class A common stock) not otherwise owned by Caesars and/or its subsidiaries at such time. On the eighth year and six month anniversary of the closing of the Transactions (unless otherwise agreed by Caesars and CAC), if the board of directors of CAC has not previously exercised its liquidation right, Growth Partners shall, and the board of directors of CAC shall cause Growth Partners to, effect a liquidation.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Federal Investigation

In recent years, governmental authorities have been increasingly focused on anti-money laundering (“AML”) policies and procedures, with a particular focus on the gaming industry. As an example, a major gaming company recently settled a U.S. Attorney investigation into its AML practices. On October 11, 2013, a subsidiary of Caesars Entertainment, Desert Palace, Inc. (the owner of Caesars Palace), received a letter from the Financial Crimes Enforcement Network of the United States Department of the Treasury (“FinCEN”), stating that FinCEN is investigating Caesars Palace for alleged violations of the Bank Secrecy Act to determine whether it is appropriate to assess a civil penalty and/or take additional enforcement action against Caesars Palace. Additionally, Caesars Entertainment has been informed that a federal grand jury investigation related to the Company’s anti-money laundering practices and procedures is ongoing. Caesars Entertainment is fully cooperating with both the FinCEN and grand jury investigations. Based on proceedings to date, Caesars Entertainment is currently unable to determine the probability of the outcome of these matters or the range of reasonably possible loss, if any.

2014 Annual Meeting of Stockholders

We currently plan to hold our 2014 Annual Meeting of Stockholders (the “2014 Annual Meeting”) on May 8, 2014 with a location and time to be determined. The record date for determining the stockholders entitled to receive notice of, and to vote at, the 2014 Annual Meeting is expected to be the close of business on March 17, 2014. Because we did not hold an annual meeting of stockholders last year, we are informing our stockholders of the following deadlines for stockholder proposals.

In order to be considered timely, a stockholder proposal submitted in accordance with Rule 14a-8 under the Exchange Act, for inclusion in our proxy materials for the 2014 Annual Meeting, must have been received by our Corporate Secretary no later than January 15, 2014, which we believe is a reasonable time before we begin to print and send our proxy materials.

Stockholders also have the right under our Bylaws to nominate director candidates and make other stockholder proposals by following specified procedures. For a stockholder proposal for the 2014 Annual Meeting that is not intended to be included in our proxy statement under Rule 14a-8 of the Exchange Act, including director nominations, the stockholder must (1) provide the information required by our Bylaws and (2) have their notice delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the first anniversary of the preceding year’s annual meeting (which anniversary date, in the case of the first annual meeting following the closing of the Corporation’s initial public offering, shall be deemed to be April 15, 2014). Based upon our Bylaws, stockholders should timely deliver notice to our Corporate Secretary not earlier than December 16, 2013 and not later than January 15, 2014.

Proposals shall be sent to our principal executive offices at One Caesars Palace Drive, Las Vegas, NV 89109, Attention: Corporate Secretary.

Disclosure Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act

Apollo Global Management, LLC (“Apollo”) has provided notice to us that, as of October 24, 2013, certain investment funds managed by affiliates of Apollo beneficially owned approximately 22% of the limited liability company interests of CEVA Holdings, LLC (“CEVA”). Under the limited liability company agreement governing CEVA, certain investment funds managed by affiliates of Apollo hold a majority of the voting power of CEVA and have the right to elect a majority of the board of CEVA. CEVA may be deemed to be under common control with us, but this statement is not meant to be an admission that common control exists. As a result, it appears that we are required to provide disclosures as set forth below pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 (“ITRA”) and Section 13(r) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Apollo has informed us that CEVA has provided it with the information below relevant to Section 13(r) of the Exchange Act. The disclosure below does not relate to any activities conducted by us and does not involve us or our management. The disclosure relates solely to activities conducted by CEVA and its consolidated subsidiaries. We have not independently verified or participated in the preparation of the disclosure below.

“Through an internal review of its global operations, CEVA has identified the following transactions in an Initial Notice of Voluntary Self-Disclosure that CEVA filed with the U.S. Treasury Department Office of Foreign Assets Control (“OFAC”) on October 28, 2013. CEVA’s review is ongoing. CEVA will file a further report with OFAC after completing its review.

The internal review indicates that, in December 2012, CEVA Freight Italy Srl (“CEVA Italy”) provided customs brokerage and freight forwarding services for the export to Iran of two measurement instruments to the Iranian Offshore Engineering Construction Company, a joint venture between two entities that are identified on OFAC’s list of Specially Designated Nationals (“SDN”). The revenues and net profits for these services were approximately \$1,260.64 USD and \$151.30 USD, respectively. In February 2013, CEVA Freight Holdings (Malaysia) SDN BHD (“CEVA Malaysia”) provided customs brokerage for export and local haulage services for a shipment of polyethylene resin to Iran shipped on a vessel owned and/or operated by HDS Lines, also an SDN. The revenues and net profits for these services were approximately \$779.54 USD and \$311.13 USD, respectively. In September 2013, CEVA Malaysia provided customs brokerage services for the import into Malaysia of fruit juice from Alifard Co. in Iran via HDS Lines. The revenues and net profits for these services were approximately \$227.41 USD and \$89.29 USD, respectively.

These transactions violate the terms of internal CEVA compliance policies, which prohibit transactions involving Iran. Upon discovering these transactions, CEVA promptly launched an internal investigation, and is taking action to block and prevent such transactions in the future. CEVA intends to cooperate with OFAC in its review of this matter.”

Item 6. Exhibits

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
3.1	First Amended and Restated Certificate of Incorporation of Caesars Acquisition Company, dated October 21, 2013.	X				
3.2	Amended and Restated Bylaws of Caesars Acquisition Company, adopted October 21, 2013.	X				
†10.1	First Amendment to Amended and Restated Caesars Interactive Entertainment, Inc. Management Investor Rights Agreement, dated as of September 28, 2013.	—	S-1/A	—	10.24	10/4/2013
†10.2	Form of Indemnification Agreement between CAC and its directors and officers.	—	S-1/A	—	10.14	10/11/2013
10.3	Transaction Agreement, dated as of October 21, 2013, among Caesars Acquisition Company, Caesars Growth Partners, LLC, Caesars Entertainment Corporation, HIE Holdings, Inc., Harrah's BC, Inc., PHW Las Vegas, LLC, PHW Manager, LLC, Caesars Baltimore Acquisition Company, LLC and Caesars Baltimore Management Company, LLC.	—	8-K	—	10.1	10/24/2013
10.4	Amended and Restated Limited Liability Company Agreement of Caesars Growth Partners, LLC, dated as of October 21, 2013.	—	8-K	—	10.2	10/24/2013
10.5	Management Services Agreement, dated as of October 21, 2013, among Caesars Acquisition Company, Caesars Growth Partners, LLC and Caesars Entertainment Operating Company, Inc.	—	8-K	—	10.3	10/24/2013
10.6	Registration Rights Agreement, dated as of October 21, 2013, among Caesars Acquisition Company, Caesars Growth Partners, LLC and certain subsidiaries of Caesars Entertainment Corporation.	—	8-K	—	10.4	10/24/2013
10.7	Registration Rights Agreement, dated as of October 21, 2013, between Caesars Entertainment Corporation and Caesars Acquisition Company.	—	8-K	—	10.5	10/24/2013
10.8	Omnibus Voting Agreement, dated as of October 21, 2013, among Apollo Hamlet Holdings, LLC, Apollo Hamlet Holdings B, LLC, TPG Hamlet Holdings, LLC, TPG Hamlet Holdings B, LLC, Co-Invest Hamlet Holdings, Series LLC, Co-Invest Hamlet Holdings B, LLC, Hamlet Holdings LLC, Caesars Entertainment Corporation and Caesars Acquisition Company.	—	8-K	—	10.6	10/24/2013

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference		
			Form	Period Ending	Exhibit
10.9	Tax Matters Agreement, dated as of October 21, 2013, by and among Caesars Entertainment Corporation, a Delaware corporation, and Caesars Interactive Entertainment, Inc., a Delaware corporation, and all of its direct and indirect subsidiaries.		X		
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 20, 2013.		X		
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 20, 2013.		X		
32.1	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated November 20, 2013.		X		
32.2	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated November 20, 2013.		X		
*101	The following financial statements from the Company's Form 10-Q for the quarter ended September 30, 2013, formatted in XBRL: (i) Consolidated Condensed Balance Sheets, (ii) Consolidated Condensed Statements of Operations, (iii) Consolidated Condensed Statements of Comprehensive Loss, (iv) Consolidated Condensed Statement of Stockholders' Equity, (v) Consolidated Condensed Statements of Cash Flows, (vi) Notes to Consolidated Financial Statements.		X		

* Furnished herewith.

† Denotes a management contract or compensatory plan or arrangement.

SIGNATURE

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

CAESARS ACQUISITION COMPANY

November 20, 2013

By: _____ / s / CRAIG ABRAHAMS
Chief Financial Officer

**FIRST AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
CAESARS ACQUISITION COMPANY**

Adopted in accordance with the
provisions of Sections 228, 242 and 245 of the
General Corporation Law of the State of Delaware

The Certificate of Incorporation of Caesars Acquisition Company (the “Corporation”) was originally filed with the Secretary of State of the State of Delaware (the “Delaware Secretary of State”) on February 25, 2013 (the “Original Certificate of Incorporation”). The Corporation is filing this First Amended and Restated Certificate of Incorporation of the Corporation (this “First Amended and Restated Certificate of Incorporation”), which has been duly adopted by all necessary action of the board of directors of the Corporation (the “Board of Directors”) and the stockholders of the Corporation, pursuant to Section 228, Section 242 and Section 245 of the General Corporation Law of the State of Delaware (as the same may be amended from time to time, the “DGCL”) to amend and restate the Original Certificate of Incorporation in its entirety.

**Article I.
NAME OF THE CORPORATION**

The name of the Corporation is: Caesars Acquisition Company.

**Article II.
REGISTERED OFFICE; REGISTERED AGENT**

The address of the registered office of the Corporation in the State of Delaware is: 2711 Centerville Road, Suite 400, Wilmington, New Castle County, DE 19808. The name of the registered agent of the Corporation at such address is Corporation Service Company.

**Article III.
PURPOSE**

The nature of the business or purposes to be conducted or promoted by the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL, including, without limitation or obligation, investing in securities of Caesars Growth Partners, LLC (“CGP”) and any of its subsidiaries and exercising all rights, powers, privileges and other incidents of ownership or possession with respect to the Corporation’s assets, including managing, holding, selling and disposing of such securities.

Article IV. CAPITAL STOCK

Section 4.1 The total number of shares of capital stock which the Corporation shall have authority to issue is 1,200,000,000 shares of common stock, par value \$0.001 per share (the “Common Stock”). The Common Stock shall consist of two (2) classes, which shall be denominated Class A Common Stock (the “Class A Common Stock”) and Class B Common Stock (the “Class B Common Stock”). The Class A Common Stock consists of 300,000,000 shares and the Class B Common Stock consists of 900,000,000 shares. The shares of Common Stock, both Class A Common Stock and Class B Common Stock, are referred herein as the “Common Stock”.

Section 4.2 The preferences, privileges, designations, voting power and relative rights of the shares of each class of Common Stock and the qualifications, limitations or restrictions thereof shall be as set forth herein. Except as otherwise provided in this First Amended and Restated Certificate of Incorporation or as otherwise required by applicable law, all shares of Common Stock shall be identical in all respects and shall entitle the holders thereof to the same rights and privileges, subject to the same qualifications, limitations and restrictions, including those rights and privileges expressly set forth below:

(a) All shares of Common Stock shall be issued in accordance with applicable law as fully paid and non-assessable shares, and absent further agreement to the contrary between the Corporation and the holder thereof, the holder thereof shall not be liable to the Corporation for any further payments in respect thereof.

(b) The Common Stock shall be issued for such consideration as shall be fixed, from time to time, by the Board of Directors.

(c) No stockholder of the Corporation shall have any preemptive rights by virtue of this First Amended and Restated Certificate of Incorporation.

(d) No stockholder of the Corporation, to the fullest extent permitted by law, shall be individually liable for the debts or liabilities of the Corporation.

Section 4.3 The holders of shares of Common Stock shall have the voting, dividend and liquidation rights set forth below:

(a) Voting.

(i) Class A Common Stock. Except as may otherwise be provided herein or by law, the holders of shares of Class A Common Stock shall be entitled to one (1) vote for each such share of Class A Common Stock as determined on the record date, on all matters to be voted on by the stockholders of the Corporation. No holder of shares of Class A Common Stock shall have the right to cumulate votes. Except as may otherwise be provided herein or by law, the holders of shares of Class A Common Stock shall vote as a single class.

(ii) Class B Common Stock. Except as may otherwise be provided by law, the holders of shares of Class B Common Stock shall not be entitled to vote. In the event of a merger or consolidation, such merger or consolidation transaction shall not be deemed to adversely affect any of the preferences, rights, powers or privileges of the Class B Common Stock so long as either (i) the Class B Common Stock continues with the same preferences, rights, powers or privileges of such Class B Common Stock as compared to the preferences, rights, powers or privileges of the Class A Common Stock after such merger or consolidation, or (ii) any cash consideration received by the holders of shares of Class A Common Stock and the holders of shares of Class B Common Stock pursuant to such merger or consolidation is distributed to each holder of shares of Class A Common Stock and holder of shares of Class B Common Stock in the order and priority set forth in Section 4.3(b)(ii).

(b) Dividends.

(i) When, as and if dividends are declared on the shares of Common Stock, whether payable in cash, in property or in securities of the Corporation, such dividends (other than (i) any stock dividend, stock split, combination or other similar recapitalization with respect to such shares of Common Stock or (ii) any dividends in respect of proceeds received in connection with or as a result of a Partial Liquidation) shall be distributed 100% to the holders of the shares of Common Stock, *pro rata* based on the number of shares held by each such holder of Common Stock.

(ii) When, as and if dividends are declared on the shares of Common Stock in respect of proceeds received in connection with or as a result of a Partial Liquidation, whether payable in cash, in property or in securities of the Corporation, such dividends (other than any stock dividend, stock split, combination or other similar recapitalization with respect to such shares of Common Stock) shall be distributed 100% to the holders of the shares of Common Stock as follows:

(A) First, 100% to holders of shares of Class A Common Stock, *pro rata* based on the number of shares held by each such holder of Class A Common Stock, until each share of Class A Common Stock has received an amount (inclusive of any amounts previously received by such share of Class A Common Stock as a dividend under Section 4.3(b)(i)) equal to the Class A Amount as of the date of such dividend;

(B) Second, 100% to holders of shares of Class B Common Stock, *pro rata* based on the number of shares held by each such holder of Class B Common Stock, until each share of Class B Common Stock has received an amount (inclusive of any amounts previously received by such share of Class B Common Stock as a dividend under Section 4.3(b)(i)) equal to the Class B Amount as of the date of such dividend;

(C) Thereafter, any remaining assets of the Corporation, a 100% to the holders of the shares of Common Stock, pro rata based on the number of shares held by each such holder of Common Stock.

(c) Liquidation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, after the payment or provision for payment of all debts and liabilities of the Corporation the distribution of any remaining assets of the Corporation available for distribution to holders of Common Stock shall be distributed to the holders of shares of Common Stock in the order of priority set forth in Section 4.3(b)(ii).

(d) Conversion of Common Stock.

(i) The shares of Class A Common Stock shall not be convertible into shares of Class B Common Stock; provided, however, that upon the exercise of the Call Right (as defined in the Amended and Restated Limited Liability Company Agreement of CGP, dated October 21, 2013 (as amended, supplemented, modified or restated, from time to time, the “LLC Agreement”)) set forth in Section 7.5 of the LLC Agreement as provided therein for less than all, and for as long as it is for less than all, of the shares of Class A Common Stock, such shares of Class A Common Stock shall, automatically, and without any further action on the part of such holder, be converted into shares of Class B Common Stock (the time of the exercise of such Call Right is referred to herein as the “Class A to B Mandatory Conversion Time”).

(ii) The shares of Class B Common Stock shall not be convertible into shares of Class A Common Stock; provided, however, that upon the exercise of the Call Right (as defined in the LLC Agreement), in its entirety, set forth in Section 7.5 of the LLC Agreement as provided therein for all of the outstanding shares of Class A Common Stock, any shares of Class A Common Stock that were converted into shares of Class B Common Stock upon a partial exercise of the Call Right (as defined in the LLC Agreement) as provided in Section 4.3(d)(ii) shall, automatically, and without any further action on the part of such holder, be converted into shares of Class A Common Stock (the time of the exercise of such Call Right is referred to herein as the “Class B to A Mandatory Conversion Time”, and together with the Class A to B Mandatory Conversion Time, the “Mandatory Conversion Time”).

(iii) All holders of record of shares of Class A Common Stock or Class B Common Stock, as applicable, shall be sent written notice of the Mandatory Conversion Time and the place designated for mandatory conversion of all such shares of Class A Common Stock or Class B Common Stock, as applicable, pursuant to this Section 4.3(d)(i) and (ii). Such notice need not be sent in advance of the occurrence of the Mandatory Conversion Time. Upon receipt of such notice, each holder of shares of Class A Common Stock or Class B Common Stock, as applicable, shall physically surrender the certificate or certificates for all such shares (or a reasonably acceptable affidavit and indemnity undertaking in the case of a lost, stolen, mutilated or destroyed certificate as set forth in the bylaws of the Corporation), to the Corporation or of any transfer agent for such shares, at the place designated in such notice, duly endorsed (or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his, her or its attorney duly authorized in writing) and shall state therein the name or names in which the certificate or certificates for shares Class A Common Stock or Class B Common

Stock, as applicable, are to be issued. All rights with respect to the Class A Common Stock or Class B Common Stock, as applicable, converted pursuant to this Section 4.3(d) will terminate at the Mandatory Conversion Time (notwithstanding the failure of the holder or holders thereof to surrender the certificates at or prior to such time), except only the rights of the holders thereof, upon surrender of their certificate or certificates (or lost certificate affidavit and agreement) therefor, to receive the items provided for in the next sentence of this Section 4.3(d)(iii). As soon as practicable after the Mandatory Conversion Time and the surrender of the certificate or certificates (or lost certificate affidavit and agreement), the Corporation shall, issue and deliver at such office to such holder of shares of Common Stock or to the nominee or nominees of such holder, a certificate or certificates representing the number of shares of Class B Common Stock or Class A Common Stock, as applicable, to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately on the Mandatory Conversion Time, and the person or persons entitled to receive the shares of Class B Common Stock or Class A Common Stock, as applicable, issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Class B Common Stock or Class A Common Stock, as applicable, as of such date.

(iv) The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Class A Common Stock and Class B Common Stock, as applicable, solely for the purpose of effecting the conversion of the shares of Class A Common Stock or Class B Common Stock, as applicable, such number of its shares of Class A Common Stock or Class B Common Stock, as applicable, as shall from time to time be sufficient to effect the conversion of all then outstanding shares of Class A Common Stock on Class B Common Stock or Class B Common Stock on Class A Common Stock; and if at any time the number of authorized but unissued shares of Class A Common Stock or Class B Common Stock, as applicable, shall not be sufficient to effect the conversion of all then outstanding shares of the Class A Common Stock or Class B Common Stock, as applicable, the Corporation will take such corporate action as may be necessary to increase its authorized but unissued shares of Class A Common Stock or Class B Common Stock, as applicable, to such number of shares as shall be sufficient for such purpose.

(e) Exchange Right. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Class B Common Stock, solely for purposes of effecting the OfferCo Exchange (as defined in the LLC Agreement) set forth in Section 7.4 of the LLC Agreement as provided therein, a number of shares of Class B Common Stock that shall, from time to time, be sufficient to effect the OfferCo Exchange; and if at any time the number of authorized but unissued shares of Class B Common Stock shall not be sufficient to effect the OfferCo Exchange, the Corporation will take such corporate action as may be necessary to increase its authorized but unissued shares of Class B Common Stock to such number of shares as shall be sufficient for such purpose.

(f) Restrictions on Ownership of Common Stock.

(i) Each holder of Class A Common Stock acknowledges and agrees that the Corporation has the right (but not the obligation) to require a holder of Class A Common Stock to tender all or a portion of its shares of Class A Common Stock upon the decision by the Board of Directors in connection with an exercise of the Call Right set forth in Section 7.5 of the LLC

Agreement in exchange for the Call Price (as defined in the LLC Agreement). If after compliance with the procedures set forth in Section 7.5 of the LLC Agreement and if the holders of Class A Common Stock have elected that the Call Right be exercised with respect to shares of Class A Common Stock, the Board of Directors shall require all holders of Class A Common Stock to tender all or a portion of their respective shares of Class A Common Stock. Upon the decision of the Board of Directors, all or a portion of the shares of Class A Common Stock, as specified by the resolution of the Board of Directors, shall, automatically and with no further action from the holders of such shares of Class A Common Stock, be transferred as specified by the resolution of the Board of Directors and each holder of shares of Class A Common Stock shall only be entitled to receive its corresponding portion of the Call Price as soon as practicable after the transfer of the Class A Common Stock. To the fullest extent permitted by law, each holder of shares of Class A Common Stock waives, and covenants not to assert, any right, claim or entitlement whatsoever to prevent the transfer of its shares of Class A Common Stock as herein provided, including, without limitation, any appraisal rights. Each holder of shares of Class A Common Stock covenants and agrees on behalf of itself, its successors and assigns, without further consideration, to prepare, execute, acknowledge, file, record, publish and deliver such agreements, instruments, documents and statements, including, without limitation, a stock purchase agreement or an agreement and plan of merger, and to take any action as may be required by law or as may be necessary or appropriate to transfer the shares of Class A Common Stock as determined by the Corporation, including without limitation, any vote submitted to the holders of shares of Class A Common Stock.

(ii) Each holder of Class B Common Stock acknowledges and agrees that, in the event that any shares of Class B Common Stock are issued by the Corporation, the Corporation may issue such shares of Class B Common Stock subject to the same or similar restrictions imposed by Section 4.3(f)(i) on shares of Class A Common Stock, if so decided by the Board of Directors in connection with an exercise of the Call Right set forth in Section 7.5 of the LLC Agreement.

(iii) Each certificate representing shares of Class A Common Stock, if any, shall bear substantially the following legend:

The securities evidenced hereby are subject to a Call Right as set forth in that certain Amended and Restated Limited Liability Company Agreement of Caesars Growth Partners, LLC, dated as of October 21, 2013, as amended, supplemented, modified or restated, from time to time, (the “LLC Agreement”). If such Call Right is exercised, the Corporation has the right (but not the obligation) to require all holders of shares of Class A Common Stock to tender all or a portion of their shares of Class A Common Stock in exchange for the Call Price (as defined in the LLC Agreement). Upon the Corporation’s request, all of the shares of Class A Common Stock shall be automatically transferred to the person that has exercised its Call Right, without no further action required from the holder of shares of Class A Common Stock. An excerpt of such Call Right will be furnished to each holder of Class A Common Stock on request and without charge. Requests for such a copy may be directed to the Secretary of the Corporation at its Principal Office.

Instead of the foregoing legend, a certificate may state that the Corporation will furnish a full statement about restrictions on ownership of the shares of Class A Common Stock to a stockholder on request and without charge. In the event that the Corporation issues shares of Class B Common Stock with restrictions in accordance with Section 4.3(f)(ii), each certificate representing shares of Class B Common Stock, if any, shall bear a legend substantially similar to the legend set forth in this Section 4.3(f)(iii) or instead, a certificate may state that the Corporation will furnish a full statement about restriction on ownership of the shares of Class B Common Stock to a stockholder on request and without charge.

Section 4.4 For purposes of this Article IV, the following terms shall have the meanings specified below:

(a) “Class A Amount” shall mean, as of any date of determination, an amount equal to (i) Class A Share Amount (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to such shares of Class A Common Stock, as determined by the Board of Directors, from time to time) plus (ii) an amount sufficient to provide such share of Class A Common Stock with a 10.5% Internal Rate of Return on the Class A Share Amount as of such date.

(a) “Class A Share Amount” shall be an amount equal to the Class A Unit Net Capital, as defined in the LLC Agreement.

(b) “Class B Amount” shall mean, as of any date of determination, an amount equal to the Class A Amount paid on, and received in respect with, any such share of Class A Common Stock that was issued on the Issuance Date as of such date of determination (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to such shares of Class A Common Stock, as determined by the Board of Directors, from time to time).

(c) “Internal Rate of Return” shall mean, as of any date of determination, with respect to each share of Class A Common Stock, an internal rate of return in respect to such Class A Common Stock issued on the Issuance Date, the Class A Share Amount, calculated from the date such portion of the Class A Share Amount became a Utilized Class A Share Amount to the date of determination.

(d) “Issuance Date” shall mean October 21, 2013.

(e) “Partial Liquidation” shall mean the sale or disposition, from time to time, either in a single transaction or a series of transactions, of assets of the Corporation or any entity in which the Corporation holds, either directly or indirectly, an interest, at a fair value greater than or equal to \$20,000,000, the proceeds of which, in whole or in part, either directly or indirectly, are distributed to or received by, the Corporation.

(f) “Utilized Class A Share Amount” shall mean, with respect to any share of Class A Common Stock, that portion of the corresponding Class A Share Amount that has contributed to CGP and that has been invested (other than any investment in cash or cash-equivalents), spent, used to pay fees, expenses or other obligations of CGP or otherwise expended by CGP, with the utilization

of all such investments and expenditures being utilized pro rata among all shares of Class A Common Stock.

Article V. GAMING AND REGULATORY MATTERS

Section 5.1 Definitions. For purposes of this Article V, the following terms shall have the meanings specified below:

(a) “Affiliate” (and derivatives of such term) shall have the meaning ascribed to such term under Rule 12b-2 promulgated by the SEC under the Exchange Act.

(b) “Affiliated Company” shall mean any partnership, corporation, limited liability company, trust or other entity directly or indirectly Affiliated or under common Ownership or Control with the Corporation including, without limitation, any subsidiary, holding company or intermediary company (as those or similar terms are defined under the Gaming Laws of any applicable Gaming Jurisdictions), in each case that is registered or licensed under applicable Gaming Laws.

(c) “Control” (and derivatives of such term) (i) with respect to any Person, shall have the meaning ascribed to such term under Rule 12b-2 promulgated by the SEC under the Exchange Act, (ii) with respect to any Interest, shall mean the possession, directly or indirectly, of the power to direct, whether by agreement, contract, agency or otherwise, the voting rights or disposition of such Interest, and (iii) as applicable, the meaning ascribed to the term “control” (and derivatives of such term) under the Gaming Laws of any applicable Gaming Jurisdictions).

(d) “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended from time to time.

(e) “Gaming” or “Gaming Activities” shall mean the conduct of gaming and gambling activities, race books and sports pools, or the use of gaming devices, equipment and supplies in the operation of a casino, simulcasting facility, card club or other enterprise, including, without limitation, slot machines, gaming tables, cards, dice, gaming chips, player tracking systems, cashless wagering systems, mobile gaming systems, social online gaming, interactive gaming, online real money gaming, poker tournaments, inter-casino linked systems and related and associated equipment, supplies and systems.

(f) “Gaming Authorities” shall mean all international, national, foreign, domestic, federal, state, provincial, regional, local, tribal, municipal and other regulatory and licensing bodies, instrumentalities, departments, commissions, authorities, boards, officials, tribunals and agencies with authority over or responsibility for the regulation of Gaming within any Gaming Jurisdiction.

(g) “Gaming Jurisdictions” shall mean all jurisdictions, domestic and foreign, and their political subdivisions, in which Gaming Activities are or may be lawfully conducted, including, without limitation, all Gaming Jurisdictions in which the Corporation or any of the Affiliated Companies currently conducts or may in the future conduct Gaming Activities.

(h) “Gaming Laws” shall mean all laws, statutes and ordinances pursuant to which any Gaming Authority possesses regulatory, permit and licensing authority over the conduct of Gaming Activities, or the Ownership or Control of an Interest in an entity which conducts Gaming Activities, in any Gaming Jurisdiction, all orders, decrees, rules and regulations promulgated thereunder, all written and unwritten policies of the Gaming Authorities and all written and unwritten interpretations by the Gaming Authorities of such laws, statutes, ordinances, orders, decrees, rules, regulations and policies.

(i) “Gaming Licenses” shall mean all licenses, permits, approvals, orders, authorizations, registrations, findings of suitability, franchises, exemptions, waivers, concessions and entitlements issued by any Gaming Authority necessary for or relating to the conduct of Gaming Activities by any Person or the Ownership or Control by any Person of an Interest in an entity that conducts or may in the future conduct Gaming Activities.

(j) “Interest” shall mean the stock or other securities of an entity or any other interest or financial or other stake therein, including, without limitation, the Securities.

(k) “Own” or “Ownership” (and derivatives of such terms) shall mean (i) ownership of record, (ii) “beneficial ownership” as defined in Rule 13d-3 or Rule 16a-1(a)(2) promulgated by the SEC under the Exchange Act, and (iii) as applicable, the meaning ascribed to the terms “own” or “ownership” (and derivatives of such terms) under the Gaming Laws of any applicable Gaming Jurisdictions.

(l) “Person” shall mean an individual, partnership, corporation, limited liability company, trust or any other entity.

(m) “Redemption Date” shall mean the date set forth in the Redemption Notice by which the Securities Owned or Controlled by an Unsuitable Person or an Affiliate of an Unsuitable Person are to be redeemed by the Corporation or any of its Affiliated Companies, which redemption date shall be determined in the sole and absolute discretion of the Board of Directors but which shall in no event be fewer than 45 calendar days following the date of the Redemption Notice, unless (i) otherwise required by a Gaming Authority or pursuant to any applicable Gaming Laws, (ii) prior to the expiration of such 45-day period, the Unsuitable Person shall have sold (or otherwise fully transferred or otherwise disposed of its Ownership of) its Securities to a Person that is not an Unsuitable Person (in which case, such Redemption Notice will only apply to those Securities that have not been sold or otherwise disposed of) by the selling Unsuitable Person and, commencing as of the date of such sale, the purchaser or recipient of such Securities shall have all of the rights of a Person that is not an Unsuitable Person), or (iii) the cash or other Redemption Price necessary to effect the redemption shall have been deposited in trust for the benefit of the Unsuitable Person or its Affiliate and shall be subject to immediate withdrawal by such Unsuitable Person or its Affiliate upon (x) surrender of the certificate(s) evidencing the Securities to be redeemed accompanied by a duly executed stock power or assignment or (y) if the Securities are uncertificated, upon the delivery of a duly executed assignment or other instrument of transfer.

(n) “Redemption Notice” shall mean that notice of redemption delivered by the Corporation pursuant to this Article to an Unsuitable Person or an Affiliate of an Unsuitable Person

if a Gaming Authority so requires the Corporation, or if the Board of Directors deems it necessary or advisable, to redeem such Unsuitable Person's or Affiliate's Securities. Each Redemption Notice shall set forth (i) the Redemption Date, (ii) the number and type of Securities to be redeemed, (iii) the Redemption Price and the manner of payment therefor, (iv) the place where any certificates for such Securities shall be surrendered for payment, and (v) any other requirements of surrender of the certificates, including how such certificates are to be endorsed, if at all.

(o) “Redemption Price” shall mean the price to be paid by the Corporation for the Securities to be redeemed pursuant to this Article, which shall be that price (if any) required to be paid by the Gaming Authority making the finding of unsuitability, or if such Gaming Authority does not require a certain price to be paid (including if the finding of unsuitability is made by the Board of Directors alone), that amount determined by the Board of Directors to be the fair value of the Securities to be redeemed; provided, that unless a Gaming Authority requires otherwise, the Redemption Price shall in no event exceed (i) the lowest closing price of such Securities reported on any of the domestic securities exchanges on which such Securities are listed on the date of the Redemption Notice or, if there have been no sales on any such exchange on such day, the average of the highest bid and lowest ask prices on all such exchanges at the end of such day, or (ii) if such Securities are not then listed for trading on any national securities exchange, then the mean between the representative bid and the ask price as quoted by another generally recognized reporting system, or (iii) if such Securities are not so quoted, then the average of the highest bid and lowest ask prices on such day in the domestic over-the-counter market as reported by Pink OTC Markets Inc. or any similar successor organization, or (v) if such Securities are not quoted by any recognized reporting system, then the fair value thereof, as determined in good faith and in the reasonable discretion of the Board of Directors. The Corporation may pay the Redemption Price in any combination of cash and/or promissory note as required by the applicable Gaming Authority and, if not so required (including if the finding of unsuitability is made by the Board of Directors alone), as determined by the Board of Directors, provided, that in the event the Corporation elects to pay all or any portion of the Redemption Price with a promissory note, such promissory note shall have a term of ten years, bear interest at a rate equal to three percent (3%) per annum and amortize in 120 equal monthly installments, and shall contain such other terms and conditions as the Board of Directors determines, in its discretion, to be necessary or advisable.

(p) “SEC” shall mean the U.S. Securities and Exchange Commission.

(q) “Securities” shall mean the capital stock of the Corporation and the capital stock, member's interests or membership interests, partnership interests or other equity securities of any Affiliated Company.

(r) “Transfer” shall mean the sale and every other method, direct or indirect, of transferring or otherwise disposing of an Interest, or the Ownership, Control or possession thereof, or fixing a lien thereupon, whether absolutely or conditionally, voluntarily or involuntarily, by or without judicial proceedings, as a conveyance, sale, payment, pledge, mortgage, lien, encumbrance, gift, security, or otherwise (including by merger or consolidation).

(s) “Unsuitable Person” shall mean a Person who (i) fails or refuses to file an application, or has withdrawn or requested the withdrawal of a pending application, to be found suitable by any

Gaming Authority or for any Gaming License, (ii) is denied or disqualified from eligibility for any Gaming License by any Gaming Authority, (iii) is determined by a Gaming Authority to be unsuitable or disqualified to Own or Control any Securities, (iv) is determined by a Gaming Authority to be unsuitable to be Affiliated, associated or involved with a Person engaged in Gaming Activities in any Gaming Jurisdiction, (v) causes any Gaming License of the Corporation or any Affiliated Company to be lost, rejected, rescinded, suspended, revoked or not renewed by any Gaming Authority, or causes the Corporation or any Affiliated Company to be threatened by any Gaming Authority with the loss, rejection, rescission, suspension, revocation or non-renewal of any Gaming License (in each of (ii) through (v) above, regardless of whether such denial, disqualification or determination by a Gaming Authority is final and/or non-appealable), or (vi) is deemed likely, in the sole and absolute discretion of the Board of Directors, to (A) preclude or materially delay, impede, impair, threaten or jeopardize any Gaming License held by the Corporation or any Affiliated Company or the Corporation's or any Affiliated Company's application for, right to the use of, entitlement to, or ability to obtain or retain, any Gaming License, (B) cause or otherwise result in, the disapproval, cancellation, termination, material adverse modification or non-renewal of any material contract to which the Corporation or any Affiliated Company is a party, or (C) cause or otherwise result in the imposition of any materially burdensome or unacceptable terms or conditions on any Gaming License of the Corporation or any Affiliated Company.

Section 5.2 Compliance with Gaming Laws. All Securities shall be held subject to the restrictions and requirements of all applicable Gaming Laws. All Persons Owning or Controlling Securities shall comply with all applicable Gaming Laws, including any provisions of such Gaming Laws that require such Person to file applications for Gaming Licenses with, and provide information to, the applicable Gaming Authorities. Any Transfer of Securities may be subject to the prior approval of the Gaming Authorities and/or the Corporation or the applicable Affiliated Company, and any purported Transfer thereof in violation of such requirements shall be void *ab initio*.

Section 5.3 Ownership Restrictions. Any Person who Owns or Controls five percent (5%) or more of any class or series of the Corporation's Securities shall promptly notify the Corporation of such fact. In addition, any Person who Owns or Controls any shares of any class or series of the Corporation's Securities may be required by Gaming Law to (1) provide to the Gaming Authorities in each Gaming Jurisdiction in which the Corporation or any subsidiary thereof either conducts Gaming or has a pending application for a Gaming License all information regarding such Person as may be requested or required by such Gaming Authorities and (2) respond to written or oral questions or inquiries from any such Gaming Authorities. Any Person who Owns or Controls any shares of any class or series of the Corporation's Securities, by virtue of such Ownership or Control, consents to the performance of any personal background investigation that may be required by any Gaming Authorities.

Section 5.4 Finding of Unsuitability.

(a) The Securities Owned or Controlled by an Unsuitable Person or an Affiliate of an Unsuitable Person shall be redeemable by the Corporation or the applicable Affiliated Company, out of funds legally available therefor, as directed by a Gaming Authority and, if not so directed, as and to the extent deemed necessary or advisable by the Board of Directors, in which

event the Corporation shall deliver a Redemption Notice to the Unsuitable Person or its Affiliate and shall redeem or purchase or cause one or more Affiliated Companies to purchase the Securities on the Redemption Date and for the Redemption Price set forth in the Redemption Notice. From and after the Redemption Date, such Securities shall no longer be deemed to be outstanding, such Unsuitable Person or Affiliate of such Unsuitable Person shall cease to be a stockholder, member, partner or owner, as applicable, of the Corporation and/or Affiliated Company with respect to such Securities, and all rights of such Unsuitable Person or Affiliate of such Unsuitable Person in such Securities, other than the right to receive the Redemption Price, shall cease. In accordance with the requirements of the Redemption Notice, such Unsuitable Person or its Affiliate shall surrender the certificate(s), if any, representing the Securities to be so redeemed.

(b) Commencing on the date that a Gaming Authority serves notice of a determination of unsuitability or disqualification of a holder of Securities, or the Board of Directors otherwise determines that a Person is an Unsuitable Person, and until the Securities Owned or Controlled by such Person are Owned or Controlled by a Person who is not an Unsuitable Person, it shall be unlawful for such Unsuitable Person or any of its Affiliates to and such Unsuitable Person and its Affiliates shall not: (i) receive any dividend, payment, distribution or interest with regard to the Securities, (ii) exercise, directly or indirectly or through any proxy, trustee, or nominee, any voting or other right conferred by such Securities, and such Securities shall not for any purposes be included in the Securities of the Corporation or the applicable Affiliated Company entitled to vote, or (iii) receive any remuneration that may be due to such Person, accruing after the date of such notice of determination of unsuitability or disqualification by a Gaming Authority, in any form from the Corporation or any Affiliated Company for services rendered or otherwise, or (iv) be or continue as a manager, officer, partner or director of the Corporation or any Affiliated Company.

Section 5.5 Notices. All notices given by the Corporation or an Affiliated Company pursuant to this Article, including Redemption Notices, shall be in writing and shall be deemed given when delivered by personal service, overnight courier, first-class mail, postage prepaid, addressed to the Person at such Person's address as it appears on the books and records of the Corporation or Affiliated Company.

Section 5.6 Indemnification. Any Unsuitable Person and any Affiliate of an Unsuitable Person shall indemnify and hold harmless the Corporation and its Affiliated Companies for any and all losses, costs, and expenses, including attorneys' costs, fees and expenses, incurred by the Corporation and its Affiliated Companies as a result of, or arising out of, such Unsuitable Person's continuing Ownership or Control of Securities, failure or refusal to comply with the provisions of this Article, or failure to divest himself, herself or itself of any Securities when and in the specific manner required by the Gaming Authorities or this Article.

Section 5.7 Injunctive Relief. The Corporation shall be entitled to injunctive or other equitable relief in any court of competent jurisdiction to enforce the provisions of this Article and each Person who Owns or Controls Securities shall be deemed to have consented to injunctive or other equitable relief and acknowledged, by virtue of such Ownership or Control, that the failure to comply with this Article will expose the Corporation and the Affiliated Companies to irreparable injury for which there is no adequate remedy at law and that the Corporation and the Affiliated

Companies shall be entitled to injunctive or other equitable relief to enforce the provisions of this Article.

Section 5.8 Non-Exclusivity of Rights. The right of the Corporation or any Affiliated Company to redeem Securities pursuant to this Article shall not be exclusive of any other rights the Corporation or any Affiliated Company may have or hereafter acquire under any agreement, provision of the bylaws of the Corporation or such Affiliated Company or otherwise. To the extent permitted under applicable Gaming Laws, the Corporation shall have the right, exercisable in the sole discretion of the Board of Directors, to propose that the parties, immediately upon the delivery of the Redemption Notice, enter into an agreement or other arrangement, including, without limitation, a divestiture trust or divestiture plan, which will reduce or terminate an Unsuitable Person's Ownership or Control of all or a portion of its Securities.

Section 5.9 Further Actions. Nothing contained in this Article shall limit the authority of the Board of Directors to take such other action, to the extent permitted by law, as it deems necessary or advisable to protect the Corporation or the Affiliated Companies from the denial or loss or threatened denial or loss of any Gaming License of the Corporation or any of its Affiliated Companies. Without limiting the generality of the foregoing, the Board of Directors may conform any provisions of this Article to the extent necessary to make such provisions consistent with Gaming Laws. In addition, the Board of Directors may, to the extent permitted by law, from time to time establish, modify, amend or rescind bylaws, regulations, and procedures of the Corporation not inconsistent with the express provisions of this Article for the purpose of determining whether any Person is an Unsuitable Person and for the orderly application, administration and implementation of the provisions of this Article. Such procedures and regulations shall be kept on file with the Secretary of the Corporation, the secretary of each of the Affiliated Companies and with the transfer agent, if any, of the Corporation and/or any Affiliated Companies, and shall be made available for inspection and, upon reasonable request, mailed to any record holder of Securities.

Section 5.10 Authority of the Board of Directors. The Board of Directors shall have exclusive authority and power to administer this Article and to exercise all rights and powers specifically granted to the Board of Directors or the Corporation, or as may be necessary or advisable in the administration of this Article. All such actions which are done or made by the Board of Directors in good faith shall be final, conclusive and binding on the Corporation and all other Persons; provided, that the Board of Directors may delegate all or any portion of its duties and powers under this Article to a committee of the Board of Directors as it deems necessary or advisable.

Section 5.11 Severability. If any provision of this Article or the application of any such provision to any Person or under any circumstance shall be held invalid, illegal, or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this Article.

Section 5.12 Termination and Waivers. Except as may be required by any applicable Gaming Law or Gaming Authority, the Board of Directors may waive any of the rights of the Corporation or any restrictions contained in this Article in any instance in which and to the extent the Board of Directors determines that a waiver would be in the best interests of the Corporation. Except as required by a Gaming Authority, nothing in this Article shall be deemed or construed to

require the Corporation to repurchase any Securities Owned or Controlled by an Unsuitable Person or an Affiliate of an Unsuitable Person.

Section 5.13 Legend. The restrictions set forth in this Article shall be noted conspicuously on any certificate evidencing the Securities in accordance with the requirements of the DGCL and any applicable Gaming Laws.

Section 5.14 Required New Jersey Charter Provisions.

(a) This First Amended and Restated Certificate of Incorporation shall be deemed to include all provisions required by the New Jersey Casino Control Act, N.J.S.A. 5:12-1 et seq., as amended from time to time (the “New Jersey Act”) and, to the extent that anything contained herein or in the bylaws of the Corporation is inconsistent with the New Jersey Act, the provisions of the New Jersey Act shall govern. All provisions of the New Jersey Act, to the extent required by law to be stated in this First Amended and Restated Certificate of Incorporation, are incorporated herein by this reference.

(b) This First Amended and Restated Certificate of Incorporation shall be subject to the provisions of the New Jersey Act and the rules and regulations of the New Jersey Casino Control Commission (the “New Jersey Commission”) promulgated thereunder. Specifically, and in accordance with the provisions of Section 82(d)(7) of the New Jersey Act, the Securities of the Corporation are held subject to the condition that, if a holder thereof is found to be disqualified by the New Jersey Commission pursuant to the provisions of the New Jersey Act, the holder must dispose of such Securities in accordance with Section 5.4(a) of this Article and shall be subject to Section 5.4(b) of this Article.

(c) Any newly elected or appointed director or officer of, or nominee to any such position with, the Corporation, who is required to qualify pursuant to the New Jersey Act, shall not exercise any powers of the office to which such individual has been elected, appointed or nominated until such individual has been found qualified to hold such office or position by the New Jersey Commission in accordance with the New Jersey Act or the New Jersey Commission permits such individual to perform duties and exercise powers relating to any such position pending qualification, with the understanding that such individual will be immediately removed from such position if the New Jersey Commission determines that there is reasonable cause to believe that such individual may not be qualified to hold such position.

Article VI.
MEETINGS; BOOKS AND RECORDS

Section 6.1 Meetings of stockholders may be held within or without the State of Delaware, as the bylaws of the Corporation may provide. For so long as Apollo Global Management LLC (“Apollo”) and/or TPG Capital, L.P. (“TPG”) and/or any of their respective affiliates owns or controls a majority in voting power of the outstanding capital stock of the Corporation entitled to vote, any action to be taken at any annual or special meeting of the stockholders of the Corporation may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding Common

Stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of Common Stock entitled to vote thereon were present and voted and shall be delivered to the Corporation. From and after such time as the Corporation is no longer a “controlled company” under the NASDAQ Marketplace rules, the stockholders may not in any circumstance take action by written consent in lieu of a meeting.

Section 6.2 The annual meeting of the stockholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held at such date, time and place, if any, as shall be determined solely by the resolution of the Board of Directors in its sole and absolute discretion. Except as otherwise prescribed by law, special meetings of stockholders, for any purpose or purposes, may only be called by a majority of the entire Board of Directors, and no other party shall be entitled to call special meetings.

Section 6.3 The books of the Corporation may be kept (subject to any provision contained in the DGCL) outside of the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the bylaws of the Corporation.

Article VII. AMENDMENTS; BYLAWS

Section 7.1 The Corporation reserves the right to amend, alter, change or repeal any provision contained in this First Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation. Any amendment, alteration, change or repeal (whether by merger, consolidation or otherwise) of Sections 4.2, 4.3 and 4.4 and Articles VI, VII and VIII of this First Amended and Restated Certificate of Incorporation, or of the bylaws of the Corporation, shall require the affirmative vote or written consent of the holders of at least majority of the outstanding shares of each class or series of Common Stock, voting separately as a class. In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized to make, adopt, alter, amend, change or repeal the bylaws by resolution adopted by the affirmative vote of at least majority of the members of the entire Board of Directors.

Article VIII. DIRECTORS; CLASSIFIED BOARD OF DIRECTORS

Section 8.1 Unless and except to the extent that the bylaws of the Corporation shall so require, elections of directors need not be by written ballot. At all meetings of the stockholders for the election of directors at which a quorum is present, directors shall be elected by a plurality of the votes cast by the holders of the shares entitled to vote thereat. Prior to the seating of any director, each director is required to submit a conditional resignation that will become effective immediately upon being deemed an Unsuitable Person.

Section 8.2 The business and affairs of the Corporation shall be managed by, or under the direction of, the Board of Directors. The total number of directors constituting the entire Board of Directors shall be seven (7), with the then-authorized number of directors fixed from time to time pursuant to a resolution adopted by two-thirds (2/3) of the members of the entire Board of

Directors, but in no event the Board of Directors shall fix the total number of directors in less than seven (7). The directors to the Board of Directors shall be elected at the annual meeting of stockholders by such stockholders as have the right to vote on such election.

Section 8.3 Upon the effectiveness of the Corporation's registration statement on Form S-1 with respect to its initial public offering of Common Stock, the directors shall be classified, with respect to the time for which they shall hold their respective offices, by dividing them into three (3) classes, to be known as "Class I," "Class II" and "Class III", with each class to be apportioned as nearly equal in number as possible. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. Directors of Class I shall hold office until the next annual meeting of stockholders after such effectiveness, directors of Class II shall hold office until the second annual meeting of the stockholders after such effectiveness and directors of Class III shall hold office until the third annual meeting of stockholders after such effectiveness; provided, that the term of each director shall continue until the annual meeting for the year in which his or her term expires and until his or her successor shall be duly elected and shall qualify, subject to such director's earlier death, resignation or removal in accordance with this First Amended and Restated Certificate of Incorporation. At each annual meeting of stockholders following such effectiveness, successors to the directors of the class whose term of office expires at such annual meeting shall be elected to hold office until the third succeeding annual meeting of stockholders, so that the term of office of only one class of directors shall expire at each annual meeting.

Section 8.4 Vacancies on the Board of Directors by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, and newly created directorships resulting from any increase in the authorized number of directors shall be solely filled by a two-thirds (2/3) of the directors then in office, although less than a quorum, or by a sole remaining director and shall not be filled by the stockholders. A director elected to fill a vacancy or a newly created directorship shall hold office until the next election of the class for which such director shall have been chosen, subject to the election and qualification of a successor and to such director's earlier death, resignation or removal. In the case of any increase or decrease, from time to time, in the number of directors of the Corporation, the number of directors in each class shall be apportioned as nearly equal as possible among the classes of directors. No decrease in the number of directors shall shorten the term of any incumbent director.

Section 8.5 Upon the effectiveness of the Corporation's registration statement on Form S-1 with respect to its initial public offering of Common Stock, any director or the entire Board of Directors may be removed from office at any time, but only for cause and only by the affirmative vote of at least two-thirds (2/3) of the total voting power of the outstanding shares of stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

Article IX. INDEMNIFICATION; ADVANCEMENT OF EXPENSES; EXCULPATION

Section 9.1 The Corporation shall indemnify and hold harmless to the fullest extent permitted under and in accordance with the laws of the State of Delaware, as the same exists or may hereafter be amended, any person who was or is a party or is threatened to be made a party to

any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) (hereinafter a “proceeding”) by reason of the fact that the person is or was a director, officer or employee of the Corporation, or is or was serving at the request of the Corporation as a director, officer or employee of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer or employee while serving as a director, officer or employee, against all expenses and loss (including attorneys’ fees, judgments, fines, amounts paid or to be paid in settlement, and excise taxes or penalties arising under the Employee Retirement Income Security Act of 1974) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in paragraph (c) hereof, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors.

Section 9.2 The Corporation shall indemnify and hold harmless to the fullest extent permitted and in accordance with the laws of the State of Delaware, as the same exists or may hereafter be amended, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer or employee of the Corporation, or is or was serving at the request of the Corporation as a director, officer or employee of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer or employee, while serving as a director, officer or employee, against all expenses and loss (including attorneys’ fees, judgments, fines, amounts paid or to be paid in settlement, and excise taxes or penalties arising under the Employee Retirement Income Security Act of 1974), reasonably incurred or suffered by such person in connection with the defense or settlement of such proceeding and such indemnification shall continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in paragraph (c) hereof, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors; provided, further, that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 9.3 If a claim under paragraph (a) or (b) of this Section is not paid in full by the Corporation within thirty (30) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such proceeding (other than an

action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the DGCL for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such proceeding that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the proceeding or create a presumption that the claimant has not met the applicable standard of conduct.

Section 9.4 Expenses incurred in defending a civil or criminal action, suit or proceeding shall (in the case of any action, suit or proceeding against a director of the Corporation) or may as authorized by the Board of Directors, to the fullest extent not prohibited by law (in the case of any action, suit or proceeding against an officer, trustee, employee or agent), be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the indemnified person to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Article IX.

Section 9.5 The indemnification and other rights set forth in this Article IX shall not be exclusive of any provisions with respect thereto in any statute, provision of this First Amended and Restated Certificate of Incorporation, the bylaws of the Corporation or any other contract or agreement between the Corporation and any officer, director or employee. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any agent of the Corporation or any person (other than a person who is entitled to indemnification under clauses (a) or (b) of this Article IX) who was serving at the request of the Corporation as a director, officer, manager, employee, agent or trustee of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, to the fullest extent of the provisions of this Article IX with respect to the indemnification and advancement of expenses of directors, officers and employees of the Corporation.

Section 9.6 The Corporation may purchase and maintain insurance, at its expense, to protect itself and any person who is or was a director, officer, employee or agent of the Corporation or is or was serving, at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

Section 9.7 Neither the amendment nor repeal of this Article IX (by merger, consolidation or otherwise), nor the adoption of any provision of this First Amended and Restated Certificate of Incorporation inconsistent with Article IX, shall eliminate or reduce the effect of this Article IX in respect of any matter occurring before such amendment, repeal or adoption of an inconsistent

provision or in respect of any cause of action, suit or claim relating to any such matter which would have given rise to a right of indemnification or right to receive expenses pursuant to this Article IX if such provision had not been so amended or repealed or if a provision inconsistent therewith had not been so adopted.

Section 9.8 The Corporation eliminates the personal liability of each member of its Board of Directors to the Corporation or its stockholders to the fullest extent permitted by the DGCL (including, without limitation, Section 102 (b)(7) of Title 8 of the DGCL); provided, however, that, to the extent required by applicable law, the foregoing shall not eliminate or limit the liability of a director:

- (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders;
- (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- (iii) under Section 174 of the DGCL; or
- (iv) for any transaction from which the director derived an improper personal benefit.

If the DGCL is amended after the date hereof to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

Section 9.9 The rights to indemnification and advancement of expenses conferred upon directors and officers of the Corporation in this Article IX shall be contract rights, shall vest when such person becomes a director or officer of the Corporation and shall continue as vested contract rights. Any repeal or modification of the foregoing paragraph shall not adversely affect any right or protection of a director or officer of the Corporation existing hereunder with respect to any act or omission occurring prior to such repeal or modification.

Article X. NO CONFLICT

Section 10.1 Neither any contract nor other transaction between the Corporation and any other corporation, partnership, limited liability company, joint venture, firm, association, or other entity (an "Entity"), nor any other acts of the Corporation with relation to any other Entity will, in the absence of fraud, to the fullest extent permitted by applicable law, in any way be invalidated or otherwise affected by the fact that any one or more of the directors or officers of the Corporation are pecuniarily or otherwise interested in, or are directors, officers, partners, or members of, such other Entity (such directors, officers, and Entities, each a "Related Person"). Any Related Person may be a party to, or may be pecuniarily or otherwise interested in, any contract or transaction of the Corporation, provided that the fact that person is a Related Person is disclosed or is known to the Board of Directors or a majority of directors present at any meeting of the Board of Directors

at which action upon any such contract or transaction is taken. Any director of the Corporation who is also a Related Person may be counted in determining the existence of a quorum at any meeting of the Board of Directors during which any such contract or transaction is authorized and may vote thereat to authorize any such contract or transaction, with like force and effect as if such person were not a Related Person. Any director of the Corporation may vote upon any contract or any other transaction between the Corporation and any subsidiary or affiliated entity without regard to the fact that such person is also a director or officer of such subsidiary or affiliated entity.

Section 10.2 Any contract, transaction or act of the Corporation or of the directors that is ratified at any annual meeting of the stockholders of the Corporation, or at any special meeting of the stockholders of the Corporation called for such purpose, will, insofar as permitted by applicable law, be as valid and as binding as though ratified by every stockholder of the Corporation; provided, however, that any failure of the stockholders to approve or ratify any such contract, transaction or act, when and if submitted, will not be deemed in any way to invalidate the same or deprive the Corporation, its directors, officers or employees, of its or their right to proceed with such contract, transaction or act.

Section 10.3 Subject to any express agreement that may from time to time be in effect, (x) any director or officer of the Corporation who is also an officer, director, employee, managing director or other affiliate of either Apollo, on behalf of its investment funds, and/or TPG or any of their respective affiliates (collectively, the “Managers”) and (y) the Managers and their affiliates, may, and shall have no duty not to, in each case on behalf of the Managers or their affiliates (the persons and entities in clauses (x) and (y), each a “Covered Manager Person”), to the fullest extent permitted by applicable law, (i) carry on and conduct, whether directly, or as a partner in any partnership, or as a joint venturer in any joint venture, or as an officer, director or stockholder of any corporation, or as a participant in any syndicate, pool, trust or association, any business of any kind, nature or description, whether or not such business is competitive with or in the same or similar lines of business as the Corporation, (ii) do business with any client, customer, vendor or lessor of any of the Corporation or its affiliates, and (iii) make investments in any kind of property in which the Corporation may make investments. To the fullest extent permitted by the DGCL (including, without limitation, Section 122(17) of the DGCL), the Corporation hereby renounces any interest or expectancy of the Corporation to participate in any business of the Managers or their affiliates, and waives any claim against a Covered Manager Person and shall indemnify a Covered Manager Person against any claim that such Covered Manager Person is liable to the Corporation or its stockholders for breach of any fiduciary duty solely by reason of such person’s or entity’s participation in any such business.

Section 10.4 In the event that a Covered Manager Person acquires knowledge of a potential transaction or matter which may constitute a corporate opportunity for both (x) the Covered Manager Person, in his or her Apollo-related capacity or TPG-related capacity, as the case may be, or Apollo or TPG, as the case may be, or its affiliates and (y) the Corporation, the Covered Manager Person shall not, to the fullest extent permitted by applicable law, have any duty to offer or communicate information regarding such corporate opportunity to the Corporation. To the fullest extent permitted by the DGCL (including, without limitation, Section 122(17) of the DGCL) and subject to the preceding sentence, the Corporation hereby renounces any interest or expectancy of the Corporation

in such corporate opportunity and waives any claim against each Covered Manager Person and shall indemnify a Covered Manager Person against any claim, that such Covered Manager Person is liable to the Corporation or its stockholders for breach of any fiduciary duty solely by reason of the fact that such Covered Manager Person (i) pursues or acquires any corporate opportunity for its own account or the account of any affiliate, (ii) directs, recommends, sells, assigns, or otherwise transfers such corporate opportunity to another person or (iii) does not communicate information regarding such corporate opportunity to the Corporation, provided, however, in each case, that any corporate opportunity which is expressly offered to a Covered Manager Person in writing solely in his or her capacity as an officer or director of the Corporation shall belong to the Corporation.

Section 10.5 Any person or entity purchasing or otherwise acquiring any interest in any shares of capital stock of the Corporation shall be deemed to have notice of and to have consented to the provisions of this Article X.

Section 10.6 This Article X may not be amended, modified or repealed without the prior written consent of each of the Managers.

Article XI. FORUM SELECTION

Section 11.1 Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Corporation, (b) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, employee or agent of the Corporation to the Corporation or the Corporation's stockholders, (c) any action asserting a claim arising pursuant to any provision of the DGCL or the Corporation's certificate of incorporation or bylaws, (d) any action to interpret, apply, enforce or determine the validity of the Corporation's certificate of incorporation or bylaws or (e) any action asserting a claim governed by the internal affairs doctrine, in each such case subject to such Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article XI.

Article XII.

Section 12.1 The Corporation expressly elects not to be governed by Section 203 of the DGCL.

I, THE UNDERSIGNED, the undersigned, a duly authorized officer of the Corporation, has executed this First Amended and Restated Certificate of Incorporation of Caesars Acquisition Company on behalf of the Corporation this this 21st day of October, 2013.

_____/s/ Craig Abrahams_____
Name: Craig Abrahams
Title: Chief Financial Officer and Secretary

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**AMENDED AND RESTATED
BY-LAWS
OF
CAESARS ACQUISITION COMPANY**

The board of directors of Caesars Acquisition Company (the “Board of Directors”) adopted Caesars Acquisition Company’s (the “Corporation”) initial by-laws (the “Initial By-Laws”) by Unanimous Written Consent of Directors in Lieu of Meeting on July 8, 2013. Pursuant to Article Six of the Corporation’s Certificate of Corporation, filed with the Secretary of State of the State of Delaware on February 25, 2013, and Article X of the Initial By-Laws, the Board of Directors by taking all necessary actions repealed the Initial By-Laws and duly adopted these Amended and Restated By-Laws of the Corporation (the “By-Laws”) amending and restating the Initial By-Laws in its entirety.

**ARTICLE I
OFFICES**

Section 1.1. Registered Office. The registered office of the Corporation shall be at 2711 Centerville Road, Suite 400, Wilmington, New Castle County, DE 19808.

Section 1.2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine.

Section 1.3. Books and Records. The books and records of the Corporation may be kept outside the State of Delaware at such place or places as may from time to time be designated by the Board of Directors.

**ARTICLE II
MEETINGS OF STOCKHOLDERS**

Section 2.1. Meetings of Stockholders. Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place, if any, either within or outside the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Meetings may be held without notice if all stockholders entitled to vote are present, or if notice is waived by those not present in accordance with Section 6.2 of these By-Laws. Any previously scheduled meeting of the stockholders may be postponed, and (unless the first amended and restated certificate of incorporation of the Corporation, as amended and restated from time to time (the “Certificate of Incorporation”) otherwise provides) any special meeting of the stockholders may be cancelled, by resolution of the Board of Directors upon public announcement given prior to the date previously scheduled for such meeting of stockholders.

Section 2.2. Annual Meetings.

(i) If required by applicable law, an annual meeting of stockholders shall be held on such date and at such time and place, if any, either within or outside the State of Delaware, as may be fixed by the Board of Directors and stated in the notice of the meeting, for the purpose of electing directors and for the transaction of only such other business as is properly brought before the meeting in accordance with these By-Laws. The Board of Directors may postpone, reschedule or cancel any annual meeting of stockholders previously scheduled by the Board of Directors.

(ii) Notice of an annual meeting stating the place, if any, date and hour of the meeting, the means of remote communication, if any, by which stockholders may be deemed to be present at such meeting, and the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for determining stockholders entitled to notice of the meeting) shall be given to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting, unless otherwise provided by law or these By-Laws. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder’s address as it appears on the records of the Corporation. Such further notice shall be given as may be required by law.

(iii) To be properly brought before the annual meeting, business (other than the election of directors) must be either (i) specified in the notice of annual meeting (or any supplement or amendment thereto) given by or at the direction of the Board of Directors (or any committee thereof), (ii) otherwise brought before the annual meeting by or at the direction of the Board of Directors (or any committee thereof), or (iii) otherwise properly brought before the annual meeting by a stockholder of record at the time the notice provided for in this Section 2.2 is delivered to the Secretary who is entitled to vote at the meeting and complies with the notice requirements set forth in this Section 2.2. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder’s notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the first anniversary

of the preceding year's annual meeting (which anniversary date, in the case of the first annual meeting following the closing of the Corporation's initial public offering, shall be deemed to be April 15, 2014) (provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. A stockholder's notice to the Secretary shall set forth (a) as to each matter the stockholder proposes to bring before the annual meeting (1) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting and the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the By-Laws, the language of the proposed amendment) and (2) any material interest of the stockholder (and the beneficial owner, if any, on whose behalf the proposal is made) in such business and (b) as to the stockholder of record giving the notice or the beneficial owner, if any, on behalf of which the notice is given (1) the name and record address of the stockholder as they appear on the Corporation's books, and of such beneficial owner, (2) the class and series, if any, and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder and beneficial owner, (3) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business, and (4) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal and/or (y) otherwise to solicit proxies from stockholders in support of such proposal.

(iv) The foregoing notice requirements of this Section 2.2 shall be deemed satisfied by a stockholder if the stockholder has notified the Corporation of his intention to present a proposal at an annual meeting in compliance with applicable rules and regulations promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting.

(v) Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section 2.2. The presiding person at an annual meeting shall, if the facts warrant, determine and declare to the annual meeting that business was not properly brought before the annual meeting in accordance

with the provisions of this Section 2.2 (including whether the stockholder or beneficial owner, if any, on whose behalf the proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's proposal in compliance with such stockholder's representation as required by this Section 2.2), and if such officer should so determine, such officer shall so declare to the annual meeting and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Section 2.2, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual meeting of stockholders of the Corporation to present such proposed business, such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 2.2 (and for purposes of Section 3.3 below), to be considered a qualified representative of the stockholder, a person must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the annual meeting of stockholders.

(vi) For purposes of this Section 2.2 (and Section 3.3 below), "public announcement" shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(vii) Notwithstanding the foregoing provisions of this Section 2.2, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.2. Nothing in this Section 2.2 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to applicable rules and regulations promulgated under the Exchange Act.

Section 2.3. Special Meetings. Unless otherwise prescribed by law or by the Certificate of Incorporation, special meetings of stockholders, for any purpose or purposes, may only be called by a majority of the entire Board of Directors, and no other party shall be entitled to call special meetings. The Board of Directors may postpone, reschedule or cancel any special meeting of stockholders previously called or scheduled by a majority of the entire Board of Directors. Notice of a special meeting stating the place, if any, date and hour of the meeting, the means of remote communication, if any, by which stockholders may be deemed to be present at such meeting, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for determining stockholders entitled to notice of the meeting), and the purpose or purposes of the meeting shall be given to each stockholder entitled to vote at such meeting, as of the record date for determining the stockholders entitled to notice of the meeting not

less than ten (10) nor more than sixty (60) days before the date of the meeting, unless otherwise provided by law or these By-Laws. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting.

Section 2.4. Quorum; Adjournments. Except as otherwise provided by law or by the Certificate of Incorporation, the presence, in person or by proxy, of the holders of record of shares of capital stock of the Corporation entitling the holders thereof to cast a majority of the votes entitled to be cast by the holders of shares of capital stock entitled to vote at the meeting shall constitute a quorum at all meetings of the stockholders. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the presiding person of the meeting or the holders of a majority of the votes entitled to be cast by the stockholders entitled to vote thereat, present in person or represented by proxy may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented by proxy. Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, if any, and notice need not be given of any such adjourned meeting if the time and place, if any, thereof are announced at the meeting at which the adjournment is taken. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

Section 2.5. Voting. At all meetings of stockholders for the election of directors at which a quorum is present, directors shall be elected by a plurality of the votes cast by the holders of shares of capital stock entitled to vote. All other questions brought before any meeting of stockholders at which a quorum is present shall, unless otherwise provided by law, the Certificate of Incorporation, these By-Laws, the rules or regulations of any stock exchange applicable to the Corporation or any other rules and regulations applicable to the Corporation or its securities, be decided by the affirmative vote of a majority of the votes cast by stockholders present in person or by proxy at the meeting and entitled to vote thereat. Each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder, unless otherwise provided by the Certificate of Incorporation. Such votes may be cast in person or by proxy but no proxy shall be voted after three years from its date, unless such proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by delivering to the Secretary of the Corporation a revocation

of the proxy or a new proxy bearing a later date. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his discretion, may require that any votes cast at such meeting shall be cast by written ballot.

Section 2.6. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting (provided, however, if the record date for determining the stockholders entitled to vote is less than ten (10) days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth day of the meeting), arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of meeting or (ii) during ordinary business hours at the principal place of business of the Corporation. The list of stockholders must also be open to examination at the meeting as required by applicable law. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

Section 2.7. Stock Ledger. Except as otherwise provided by law, the stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 2.6 or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 2.8. Inspectors of Election. The Corporation may, and shall if required by law, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may be employees of the Corporation, to act at the meeting or any adjournment thereof and to make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his ability. The inspector or inspectors so appointed or designated shall (i) ascertain the number of shares of capital stock of the Corporation outstanding and the voting power of each such share, (ii) determine the shares of capital stock of the Corporation represented at the meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares of capital stock of the Corporation represented at the meeting and such inspectors' count of all votes and

ballots. Such certification and report shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the Corporation, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election.

Section 2.9. Conduct of Meetings. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the person presiding over the meeting. The Board of Directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the person presiding over any meeting of stockholders shall have the right and authority to convene and (for any or no reason) to recess and/or to adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such presiding person, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the presiding person of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the presiding person of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The presiding person at any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such presiding person should so determine, such presiding person shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board of Directors or the person presiding over the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 2.10. Action Without Meeting. Except as otherwise provided by law or the Certificate of Incorporation, for so long as the Corporation is a “controlled company” under the NASDAQ Marketplace rules, any action required to be taken at any annual or special meeting of stockholders, or any action which may be taken at any annual or special meeting, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders

who have not consented in writing. From and after such time the Corporation is no longer a “controlled company” under the NASDAQ Marketplace rules, the stockholders may not in any circumstance take action by written consent in lieu of a meeting.

Section 2.11. Proxies. At all meetings of stockholders, a stockholder may vote by proxy executed in writing (or in such manner prescribed by the General Corporation Law of the State of Delaware) by the stockholder, or by his duly authorized attorney in fact.

ARTICLE III **DIRECTORS**

Section 3.1. General Powers. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. In addition to the powers and authorities by these By-Laws expressly conferred upon them, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by law or by the Certificate of Incorporation required to be exercised or done by the stockholders.

Section 3.2. Number, Tenure and Qualifications. Subject to the provisions of the Certificate of Incorporation, the number of directors shall be fixed from time to time pursuant to a resolution adopted by two-thirds (2/3) of the members of the entire Board of Directors. Any vacancy in the Board of Directors that results from an increase in the number of directors, from the death, resignation or removal of any director or for any other cause shall be filled solely by the approval of at least two-thirds (2/3) of the directors then in office, although less than a quorum, or by a sole remaining director and shall not be filled by the stockholders. Any director of any class elected to fill a vacancy resulting from an increase in the number of directors of such class shall hold office for a term that shall coincide with the remaining term of that class. Any director elected or appointed to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his or her predecessor. The term of each director shall continue until the annual meeting for the year in which his or her term expires and until his or her successor shall be duly elected and shall qualify, subject to such director’s earlier death, resignation or removal in accordance with the Certificate of Incorporation. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 3.3. Classification and Nomination of Directors.

(i) Subject to the provisions of the Certificate of Incorporation, upon the effectiveness of the Corporation’s registration statement on Form S-1 with respect to its initial public offering of Common Stock (as defined in the Certificate of Incorporation), the directors shall be classified, with respect to the time for which they shall hold their respective offices, by dividing them into three (3) classes, to be known as “Class I,” “Class II” and “Class III”, with each class to be apportioned as nearly equal in number as possible. In case of any increase or decrease, from

time to time, in the number of directors, the number of directors in each class shall be apportioned as nearly equal as possible. No decrease in the number of directors shall shorten the term of any incumbent director. Directors of Class I shall hold office until the next annual meeting of stockholders after such effectiveness and until their successors are duly elected and qualified, directors of Class II shall hold office until the second annual meeting of the stockholders after such effectiveness and until their successors are duly elected and qualified and directors of Class III shall hold office until the third annual meeting of stockholders after such effectiveness and until their successors are duly elected and qualified. At each annual meeting of stockholders following such effectiveness, successors to the directors of the class whose term of office expires at such annual meeting shall be elected to hold office until the third succeeding annual meeting of stockholders, so that the term of office of only one class of directors shall expire at each annual meeting.

(ii) Nominations of persons for election to the Board of Directors of the Corporation at the annual meeting may be made at such meeting only by or at the direction of the Board of Directors, by any committee or persons appointed by the Board of Directors or by any stockholder of the Corporation of record at the time the notice provided for in this Section 3.3 is delivered to the Secretary of the Corporation who is entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 3.3. Such nominations by any stockholder shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the first anniversary of the preceding year's annual meeting (which anniversary date, in the case of the first annual meeting following the closing of the Corporation's initial public offering, shall be deemed to be April 15, 2014) (provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation).

(iii) Such stockholder's notice to the Secretary shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (a) the name, age, business address and residence address of the person, (b) the principal occupation or employment of the person, (c) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person, (d) such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected and (e) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to the Rules and Regulations of the Securities and Exchange Commission under Section 14 of the Exchange Act; (ii) as to the record stockholder giving the notice and the beneficial

owner, if any, on whose behalf the nomination is made (a) the name and address of the stockholder as it appears on the Corporation's books, and of such beneficial owner, (b) the class and number of shares of capital stock of the Corporation which are owned beneficially and of record by the stockholder, (c) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such nomination, and (d) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (1) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to elect the nominee and/or (2) otherwise to solicit proxies from stockholders in support of such nomination.

(iv) The foregoing notice requirements of this Section 3.3 shall be deemed satisfied by a stockholder if the stockholder has notified the Corporation of his intention to present a nomination at an annual meeting in compliance with applicable rules and regulations promulgated under the Exchange Act and such stockholder's nomination has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein. The presiding person of an annual meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's nominee or proposal in compliance with such stockholder's representation as required by this Section 3.3), and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. The directors shall be elected at the annual meeting of the stockholders, except as provided in the Certificate of Incorporation, and each director elected shall hold office until his successor is duly elected and qualified. Notwithstanding the foregoing provisions of this Section 3.3, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination, such nomination shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

(v) Notwithstanding anything to the contrary set forth in this Section 3.3 to the contrary, in the event that the number of directors to be elected to the Board of Directors at an annual meeting is increased and there is no public announcement by the Corporation naming the nominees for the additional directorships at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 3.3 shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the

close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(vi) Notwithstanding the foregoing provisions of this Section 3.3, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 3.3. Nothing in this Section 3.3 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to applicable rules and regulations promulgated under the Exchange Act.

Section 3.4. Removal. Upon the effectiveness of the Corporation's registration statement on Form S-1 with respect to its initial public offering of Common Stock, any director or the entire Board of Directors may be removed from office at any time, but only for cause and only by the affirmative vote of at least two-thirds (2/3) of the total voting power of the outstanding shares of stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

Section 3.5. Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or outside the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors or a majority of the entire Board of Directors. Notice thereof stating the place, if any, date and hour of the meeting shall be given to each director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone or by other means of electronic transmission on not less than twelve (12) hours' notice. A meeting may be held at any time without notice if all the directors are present or if those not present waive notice of the meeting in accordance with Section 4.2 of these By-Laws.

Section 3.6. Quorum. Except as may be otherwise specifically provided by law, the Certificate of Incorporation or these By-Laws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and, except in cases in which the Certificate of Incorporation, these By-Laws or applicable law otherwise provides, the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, a majority of the directors present thereto may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 3.7. Actions by Unanimous Consent of Directors. Unless otherwise provided by the Certificate of Incorporation, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in

writing or by electronic transmission, and the writing or writings (or electronic transmissions) are filed with the minutes of proceedings of the Board of Directors or committee in accordance with applicable law.

Section 3.8. Meetings by Means of Conference Telephone. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 3.8 shall constitute presence in person at such meeting.

Section 3.9. Organization. Meetings of the Board of Directors shall be presided over by the Chairman of the Board of Directors, if any, or in his absence, by the Chief Executive Officer (the “CEO”) (if the CEO is a director), or in their absence by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 3.10. Committees. The Board of Directors may, by resolution of the Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent allowed by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation. Each committee shall keep regular minutes and report to the Board of Directors when required. A majority of any committee may determine its action and fix the time and place of its meetings. Notice of such meetings shall be given to each member of the committee in the manner provided for in Section 3.5 of these By-Laws. The Board of Directors shall have power at any time to fill vacancies in, to change the membership of, or to dissolve any such committee. Nothing herein shall be deemed to prevent the Board of Directors from appointing one or more committees consisting in whole or in part of persons who are not directors of the Corporation; provided, however, that no such committee shall have or may exercise any authority of the Board of Directors.

Section 3.11. Records. The Board of Directors shall cause to be kept a record containing the minutes of the proceedings of the meetings of the Board of Directors and of the stockholders, appropriate stock books and registers and such books of records and accounts as may be necessary for the proper conduct of the business of the Corporation.

Section 3.12. Compensation. The directors, or any members of special or standing committees, may be paid their expenses, if any, of attendance at each meeting of the Board of Directors (or committees thereof) and such additional compensation as determined by the Board of Directors. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 3.13. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall, to the fullest extent permitted by law, be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE IV OFFICERS

Section 4.1. General. The officers of the Corporation shall be chosen by the Board of Directors and shall be a CEO, a Secretary and a Treasurer. The Board of Directors, in its discretion, may also choose a Chairman of the Board of Directors (who must be a director), one or more Presidents, one or more Senior Vice Presidents, one or more Executive Vice Presidents, one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Certificate of Incorporation or these By-Laws. The officers of the Corporation need not be stockholders of the Corporation nor,

except in the case of the Chairman of the Board of Directors, need such officers be directors of the Corporation.

Section 4.2. Election. The Board of Directors at its first meeting held after each annual meeting of stockholders shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The salaries of all officers who are directors of the Corporation shall be fixed by the Board of Directors.

Section 4.3. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the CEO, any President, any Senior Vice President or any Vice President and any such officer may, in the name and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 4.4. Chairman of the Board of Directors. The Chairman of the Board of Directors, if there be one, shall preside at all meetings of the stockholders and of the Board of Directors. Except where by law the signature of the CEO is required, the Chairman of the Board of Directors shall possess the same power as the CEO to sign all contracts, certificates and other instruments of the Corporation which may be authorized by the Board of Directors. During the absence or disability of the CEO, the Chairman of the Board of Directors shall exercise all the powers and discharge all the duties of the CEO. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-Laws or by the Board of Directors.

Section 4.5. Chief Executive Officer. The CEO shall be selected by the Board of Directors and shall, subject to the control of the Board of Directors, have general supervision of the business of the Corporation. The CEO shall see that all orders and resolutions of the Board of Directors are carried into effect. The CEO shall individually have the authority to execute all bonds, mortgages, contracts and other instruments of the Corporation, including those requiring a seal under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except that the other officers of the Corporation may sign and execute documents

when so authorized by these By-Laws, the Board of Directors or a Committee thereof, or the CEO. In the absence or disability of the Chairman of the Board of Directors, the CEO shall preside at all meetings of the stockholders and the Board of Directors (if the CEO is a director of the Corporation). The CEO shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-Laws or by the Board of Directors.

Section 4.6. Presidents. Each President shall be selected by the Board of Directors and shall, subject to the control of the CEO, have general supervision of the business or a business division of the Corporation as directed by the Board of Directors or the CEO. At the request of the CEO or in his absence or in the event of his inability or refusal to act (and if there be no Chairman of the Board of Directors), the President or the Presidents if there is more than one (in the order designated by the Board of Directors) shall perform the duties of the CEO, and when so acting, shall have all the powers of and be subject to all the restrictions upon the CEO. Each President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there be no Chairman of the Board of Directors, no CEO and no President, the Board of Directors shall designate the officer of the Corporation who, in the absence of the President or Presidents or in the event of the inability or refusal of the President or Presidents to act, shall perform the duties of the CEO, and when so acting, shall have all the powers or and be subject to all the restrictions upon the CEO.

Section 4.7. Vice Presidents. At the request of the CEO (or, in his absence or in the event of his inability or refusal to act (and if there be no Chairman of the Board of Directors), any President (as designated by the Board of Directors)), the Senior Vice President or the Senior Vice Presidents if there is more than one (in the order designated by the Board of Directors), the Executive Vice President or the Executive Vice Presidents if there is more than one (in the order designated by the Board of Directors), the Vice President or the Vice Presidents if there is more than one (in the order designated by the Board of Directors) shall perform the duties of any President or Presidents, as designated by the CEO, and when so acting, shall have all the powers of and be subject to all the restrictions upon such President or Presidents, as applicable. Each Senior Vice President, Executive Vice President and Vice President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there be no Chairman of the Board of Directors, no CEO, no President, no Senior Vice President, no Executive Vice President and no Vice President, the Board of Directors shall designate the officer of the Corporation who, in the absence of such President or Presidents, as applicable, or in the event of the inability or refusal of such President or Presidents, as applicable, to act, shall perform the duties of such President or Presidents, and when so acting, shall have all the powers of and be subject to all the restrictions upon such President or Presidents, as applicable.

Section 4.8. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books

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

Section 4.9. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the CEO and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 4.10. Assistant Secretaries. Except as may be otherwise provided in these By-Laws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the CEO, any President, any Senior Vice President, any Vice President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of his disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 4.11. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the CEO, any President, any Senior Vice President, any Vice President, if there

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

Section 4.12. Controller. The Controller shall establish and maintain the accounting records of the Corporation in accordance with generally accepted accounting principles applied on a consistent basis, maintain proper internal control of the assets of the Corporation and shall perform such other duties as the Board of Directors, the CEO, any President, any Executive Vice President, any Senior Vice President or any Vice President of the Corporation may prescribe.

Section 4.13. Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

ARTICLE V **STOCK**

Section 5.1. Form of Certificates. The shares of the Corporation shall be represented by certificates, provided that the Board of Directors of the Corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock represented by certificates shall be entitled to have a certificate signed by, or in the name of the Corporation by, the Chairman of the Board of Directors, or the CEO, President, Executive Vice President, Senior Vice President or Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation representing the number of shares registered in certificate form.

Section 5.2. Signatures. Any or all of the signatures on the certificate may be a facsimile, including, but not limited to, signatures of officers of the Corporation and countersignatures of a transfer agent or registrar. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the

Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 5.3. Lost Certificates. The Board of Directors may direct a new certificate or uncertificated shares to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or uncertificated shares, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 5.4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these By-Laws. Shares of stock of the Corporation shall only be transferred on the books of the Corporation by the holder of record thereof or by such holder's attorney duly authorized in writing, upon surrender to the Corporation of the certificate or certificates representing such shares endorsed by the appropriate person or persons (or by delivery of duly executed instructions with respect to uncertificated shares), with such evidence of the authenticity of such endorsement or execution, transfer, authorization, and other matters as the Corporation may reasonably require, and accompanied by all necessary stock transfer stamps. Uncertificated shares shall be transferred in accordance with applicable law. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing the names of the persons from and to whom it was transferred.

Section 5.5. Record Date. (i) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, unless otherwise required by law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the

Board of Directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

(ii) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, unless otherwise required by law, not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date, which written notice shall include all information (including with respect to any beneficial owner on whose behalf such notice is delivered) that would be required pursuant to Section 2.2 and Section 3.3 of these By-laws, as applicable, if the stockholder had been making a nomination or proposing business to be considered at a meeting of the stockholders. The Board of Directors shall promptly, but in all events within ten (10) days after the date on which such request is received, adopt a resolution fixing the record date. If no record date is fixed by the Board of Directors within ten (10) days after the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken, sent to the attention of the Secretary at the principal executive offices of the Corporation, is received by the Secretary. If no record date has been fixed by the Board of Directors and the prior action of the Board of Directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

Section 5.6. Beneficial Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote (to the extent such shares are entitled to vote) as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

ARTICLE VI NOTICES

Section 6.1. Notices. (i) Whenever written notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director or member of a committee or stockholder, such notice may be given by mail, addressed to such director or member of a committee or stockholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by other means of electronic transmission.

(ii) Any notice to stockholders given by the Corporation pursuant to these By-Laws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation and shall also be deemed revoked if (a) the Corporation is unable to deliver by electronic transmission two (2) consecutive notices given by the Corporation in accordance with such consent and (b) such inability becomes known to the Secretary or Assistant Secretary of the Corporation, the transfer agent or other person responsible for the giving of notice; provided, however, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action. Notice given by a form of electronic transmission in accordance with these By-Laws shall be deemed given: (1) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice; (2) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (3) if by a posting on an electronic network, together with separate notice to the stockholder of such specific posting, upon the later of such posting and the giving of such separate notice; and (4) if by another form of electronic transmission, when directed to the stockholder. For purposes of these By-Laws, "electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

(iii) Any notice to stockholders given by the Corporation may be given by a single written notice to stockholders who share an address if consented to by the stockholders at such address to whom such notice is given. Any such consent shall be revocable by the stockholders by written notice to the Corporation. Any stockholder who fails to object in writing to the Corporation, within sixty (60) days of having been given written notice by the Corporation of its intention to send the single notice as set forth in this Section 6.1(iii) shall be deemed to have consented to receiving such single written notice.

Section 6.2. Waivers of Notice. Whenever any notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed, by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Attendance of

a person at a meeting, present in person or represented by proxy, shall constitute a waiver of notice of such meeting, except where the person attends the meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business nor the purpose of any meeting need be specified in such a waiver.

ARTICLE VII

ADVANCEMENT OF EXPENSES

Section 7.1. Prepayment of Expenses. In addition to the provisions of the Certificate of Incorporation, the Corporation shall, to the fullest extent not prohibited by applicable law pay the expenses (including attorneys' fees) incurred by any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a " proceeding "), by reason of the fact that he, or a person for whom he is the legal representative, is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans (a " Covered Person "), in defending any proceeding in advance of its final disposition, provided, however, that, to the extent required by law, such payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by the Covered Person to repay all amounts advanced if it should be ultimately determined that the Covered Person is not entitled to indemnification under applicable law, the Certificate of Incorporation, any agreement or otherwise.

Section 7.2. Nonexclusivity of Rights. The rights conferred on any Covered Person by this Article VII shall not be exclusive of any other rights which such Covered Person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, these By-Laws, agreement, vote of stockholders or disinterested directors or otherwise.

Section 7.3. Other Sources. The Corporation's obligation, if any, to advance expenses to any Covered Person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such Covered Person may collect as advancement of expenses from such other corporation, partnership, joint venture, trust, enterprise or non-profit enterprise.

Section 7.4. Amendment or Repeal. The rights afforded to Covered Persons under this Article VII shall be contract rights, shall vest when such person becomes a Covered Person and shall continue as vested contract rights. Any repeal or modification of the foregoing provisions of this Article VII shall not adversely affect any right or protection hereunder of any Covered Person in respect of any act or omission occurring prior to the time of such repeal or modification.

Section 7.5. Other Indemnification and Prepayment of Expenses. This Article VII shall not limit the right of the Corporation, to the extent and in the manner permitted by law, to indemnify and to advance expenses to persons other than Covered Persons when and as authorized by appropriate corporate action.

Section 7.6. Applicable Law. Any action or proceeding arising out of or in connection with the rights conferred by either the Certificate of Incorporation or this Article VII shall be brought only in the Chancery Court of the State of Delaware, and not in any other state or federal court in the United States of America or any court in any other country.

ARTICLE VIII GENERAL PROVISIONS

Section 8.1. Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, and may be paid in cash, in property, or in shares of the capital stock, provided that no dividend shall be declared and paid except to the extent the Corporation shall have lawfully available funds therefor. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

Section 8.2. Disbursements. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 8.3. Fiscal Year. The fiscal year of the Corporation shall end on December 31 and the following fiscal year shall commence on January 1, unless the fiscal year is otherwise fixed by affirmative resolution of the entire Board of Directors.

Section 8.4. Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Section 8.5. Amendments. In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized to make, adopt, alter, amend, change or repeal these By-Laws by resolution adopted by the affirmative vote of at least a majority of the members of the entire Board of Directors. In addition to any requirements of law and any other provision of these By-Laws or the Certificate of Incorporation,

and notwithstanding any other provision of these By-Laws, the Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, stockholders may not make, adopt, alter, amend, change or repeal these By-Laws except upon the affirmative vote of at least a majority of the votes entitled to be cast by the holders of shares of capital stock entitled to vote at the meeting, voting together as a single class.

TAX MATTERS AGREEMENT

This Tax Matters Agreement (the “Agreement”), dated as of October 21, 2013, is by and among Caesars Entertainment Corporation, a Delaware corporation (“CEC”), and Caesars Interactive Entertainment, Inc., a Delaware corporation (“CIE”), and all of its direct and indirect Subsidiaries (CIE and its Subsidiaries shall be collectively referred to herein as the “CIE Companies”).

WHEREAS, the CIE Companies are members of the affiliated group of corporations (within the meaning of Section 1504 of the Code) of which CEC is the common parent corporation (the “CEC Consolidated Group”), which files a consolidated federal income tax return and combined and consolidated state income tax returns;

WHEREAS, CEC desires to form Caesars Growth Partners, LLC, a Delaware limited liability company (“Growth Partners”), a new growth-oriented entity to be owned by certain of CEC’s Subsidiaries and participating CEC stockholders;

WHEREAS, subject to certain conditions, HIE Holdings, Inc., a Delaware corporation (“HIE Holdings”), will contribute approximately 119,047 shares of common stock of CIE, \$.001 par value per share, constituting all of the shares of common stock of CIE held by it, to Growth Partners (or its designated direct or indirect Subsidiary) in exchange for class B non-voting membership interests in Growth Partners (the “CIE Contribution”);

WHEREAS, upon the closing of the CIE Contribution, CEC will no longer own any shares of common stock of CIE, and the CIE Companies will no longer be included in the CEC Consolidated Group;

WHEREAS, CEC and the CIE Companies desire to set forth their agreement regarding the allocation of Taxes, the filing of Tax returns, the administration of Tax contests and other related Tax matters.

NOW, THEREFORE, in consideration of the mutual obligations and undertakings contained herein, the parties agree as follows:

ARTICLE I**DEFINITIONS**

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and the plural forms of the terms defined):

“Affiliate” means any corporation (including any Subsidiary not organized as a corporation electing to be taxed as a corporation for federal or state income Tax

purposes) which is a Member of the CEC Consolidated Group or a State Affiliated Company.

“CEC” shall have the meaning set forth in the Preamble.

“CEC Consolidated Group” shall have the meaning set forth in the Preamble.

“CIE” shall have the meaning set forth in the Preamble.

“CIE Companies” shall have the meaning set forth in the Preamble.

“CIE Contribution” shall have the meaning set forth in the Preamble.

“Code” means the Internal Revenue Code of 1986, as amended, or any successor thereto, as in effect for any applicable taxable period.

“Consolidated Return” means any Tax Return with respect to United States federal income Taxes filed on a consolidated basis in which CIE or any of the CIE Companies joins in the filing of such Tax Return (for any taxable period or portion thereof) with CEC or one or more Members of the CEC Consolidated Group.

“Deconsolidation Date” means the date on which the CIE Contribution occurs.

“Federal Separate Tax Liability” shall have the meaning set forth in Section 3.02(b).

“Final Determination” shall mean the final resolution of liability for any Tax for a taxable period (i) by Internal Revenue Service Form 870 or 870–AD (or any successor forms thereto), on the date of acceptance by or on behalf of the Internal Revenue Service (the “IRS”), or by a comparable form under the laws of other jurisdictions; except that a Form 870 or 870–AD or comparable form that reserves (whether by its terms or by operation of the law) the right of the taxpayer to file a claim for a refund and/or the right of the Taxing Authority to assert a further deficiency shall not constitute a Final Determination; (ii) by a decision, judgment, decree, or other order by a court of competent jurisdiction, which has become final and may not be appealed; (iii) by a closing agreement or accepted offer in compromise under Section 7121 or 7122 of the Code, or comparable agreements under the laws of other jurisdictions; (iv) by any allowance of a refund or credit in respect of an overpayment of Tax, but only after the expiration of all periods during which such refund may be recovered (including by way of offset) by the Tax imposing jurisdiction; or (v) by any other final disposition, including by reason of the expiration of the applicable statute of limitations.

“Growth Partners” shall have the meaning set forth in the Preamble.

“HIE Holdings” shall have the meaning set forth in the Preamble.

“Indemnification Tax Benefit” means a reduction in the Tax liability (or increase in a refund or credit or any item of deduction or expense) of a taxpayer for any taxable period. Except as otherwise provided in this Agreement, an Indemnification Tax Benefit will be deemed to have been realized or received from a Tax Item in a taxable period only if and to the extent that the Tax liability of the taxpayer, for such period, after taking into account the effect of the Tax Item on the Tax liability of such taxpayer in the current period and all prior periods, is less than it would have been had such Tax liability been determined without regard to such Tax Item.

“Indemnified Party” means any person that is seeking indemnification from an Indemnifying Party pursuant to the provisions of this Agreement.

“Indemnifying Party” means any person from which an Indemnified Party is seeking indemnification pursuant to the provisions of this Agreement.

“Independent Firm” means a nationally recognized law or accounting firm; provided, however, that such term shall not include any accounting firm that performs or has performed audit services with respect to CEC or CIE.

“Member” has the meaning assigned in Treasury Regulation Section 1.1502–1.

“Payment Period” shall have the meaning set forth in Section 8.04.

“Separate Return Taxable Income” means, with respect to each taxable period and each state for which the allocation is being computed, the amount of income calculated by multiplying the separate entity’s Tax base for that state by the separate entity’s apportionment formula for that state, and taking into consideration nonapportionable items of income for that separate entity. If two or more entities are being treated as a separate group for purposes of this Agreement, “Separate Return Taxable Income” is computed as described above for the group as a whole, and not for each entity in that group. The Tax attributable to the Separate Return Taxable Income for any taxable period in any state is calculated by applying the statutory rate for that state to the Separate Return Taxable Income for the taxable period. If during any taxable period the CIE Companies cease to be State Affiliated Companies in any state, the “Separate Return Taxable Income” for such taxable period in such state shall be calculated as if the taxable period of the CIE Companies ended on the date that the CIE Companies cease to be State Affiliated Companies in such state.

“Separate Tax Liability” means the Federal Separate Tax Liability and the State Separate Tax Liability, as applicable.

“State Affiliated Companies” means all corporations (including Subsidiaries not organized as corporations electing to be taxed as a corporation for federal or state income Tax purposes) that CEC reasonably determines will be required to be included in a State Combined or Consolidated Return with CEC as the common parent

under applicable law or that any jurisdiction determines under applicable law will be included in a State Combined or Consolidated Return with CEC as the common parent.

“State Combined or Consolidated Return” means a single state or local income Tax Return filed for multiple legal entities, including estimated Tax payment filings.

“State Group” means any group of corporations filing a State Combined or Consolidated Return.

“State Separate Tax Liability” shall have the meaning set forth in Section 4.02(c).

“Subsidiary” means a corporation, limited liability company, partnership or other entity, whether or not such entity is treated as such for Tax purposes.

“Tax” or “Taxes” means any and all forms of taxation, whenever created or imposed by a Taxing Authority, and without limiting the generality of the foregoing, shall include net income, alternative minimum, estimated, gross income, sales, use, ad valorem, gross receipts, value added, franchise, profits, license, transfer, recording, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation, premium, property, inventory, windfall profit, custom duty, or other tax, governmental fee or other like assessment, impost, levy or charge of any kind whatsoever, together with any related interest, penalties, or other additions to Tax, or additional amounts imposed by any such Taxing Authority.

“Taxing Authority” means a national, federal, state, local, foreign, municipal, or any other governmental authority responsible for the administration of any Tax.

“Tax Benefit” means an amount by which the Tax liability of the CIE Companies is reduced (including without limitation, by deduction, reduction of income by virtue of increased Tax basis or otherwise, entitlement to refund, credit or otherwise and including through a carryback to a prior taxable period) calculated on a “with and without” basis.

“Tax Benefit Item” means any net operating loss, unused foreign Tax credit, unused investment credit, unused charitable deduction, unused capital loss, or similar unused Tax benefit item arising with respect to the CIE Companies in a given taxable period, computed as though the CIE Companies had independently filed a federal or state income Tax Return for all relevant taxable periods including all of the CIE Companies.

“Tax Controversy” shall have the meaning set forth in Section 7.02.

“Tax Item” means any item of income, gain, loss, deduction, expense or credit, or other attribute that may have the effect of increasing or decreasing any Tax liability.

“Tax Return” means any return, report, filing, declaration forms, questionnaire or other document, including requests for extensions of time, filings made with estimated Tax payments, claims for refund and amended returns, that may be filed for any taxable period with any Taxing Authority in connection with any Tax or Taxes (whether or not a payment is required to be made with respect to such filing) or any information reporting requirement.

“Transaction Agreement” means that certain Transaction Agreement, by and among CEC, HIE Holdings, Inc., Growth Partners and the other parties thereto, dated as of October 21, 2013, as amended from time to time in accordance with its terms.

ARTICLE II

PREPARATION AND FILING OF TAX RETURNS

Section 2.01 Federal Income Tax Returns .

(a) CEC shall timely prepare and file, or cause to be timely prepared and filed, in a manner consistent with past practice, all federal income Tax Returns (including any amended Tax Returns) for the CEC Consolidated Group, provided that the CIE Companies shall have the right to review and comment on the portion of such Tax Returns relating to the CIE Companies within a reasonable period of time prior to filing, and CEC shall consider in good faith any such comments prior to filing. For each taxable period for which they are treated as Members of the CEC Consolidated Group, the CIE Companies shall provide to CEC all financial data and any other information and documentation reasonably requested by CEC for such taxable period on a timely basis, as reasonably determined by CEC, in order for CEC to timely prepare and file the federal income Tax Returns for the CEC Consolidated Group.

(b) For any taxable period for which the CIE Companies are not treated as Members of the CEC Consolidated Group, which the parties acknowledge will be any taxable period beginning after the Deconsolidation Date, the CIE Companies will be responsible for filing their own federal income Tax Returns.

Section 2.02 State and Local Income Tax Returns .

(a) CEC shall timely prepare and file, or cause to be timely prepared and filed, in a manner consistent with past practice, all State Combined or Consolidated Returns for State Affiliated Companies, provided that the CIE Companies shall have the right to review and comment on the portion of such Tax Returns relating to the CIE Companies within a reasonable period of time prior to filing, and CEC shall consider in good faith any such comments prior to filing. For each taxable period for

which they are treated as State Affiliated Companies, the CIE Companies shall provide to CEC all financial data and any other information and documentation reasonably requested by CEC for such taxable period on a timely basis, as reasonably determined by CEC, in order for CEC to timely prepare and file the State Combined or Consolidated Returns.

(b) For any taxable period for which the CIE Companies are not treated as State Affiliated Companies for a particular state, CEC shall provide the CIE Companies with reasonable advance notice at the end of the relevant taxable period that the CIE Companies will not be treated as State Affiliated Companies, and the CIE Companies will be responsible for filing, if appropriate, their own state income Tax Returns for such state.

Section 2.03 Other Tax Returns. The CIE Companies shall timely prepare and file, or cause to be timely prepared and filed all appropriate Tax Returns or other filings relating to all Taxes attributable to the CIE Companies' business other than those described in Sections 2.01(a) and 2.02(a) of this Agreement.

ARTICLE III

ALLOCATION AND PAYMENT OF CONSOLIDATED FEDERAL TAXES

Section 3.01 Payment of Consolidated Federal Income Tax. CEC shall be responsible for the remittance of all payments of federal income Tax, including estimated Tax, due with respect to the CEC Consolidated Group. Subject to Section 6.04, for the taxable period of the CIE Companies ending on the Deconsolidation Date, the CIE Companies shall pay to CEC, at the times provided by Section 3.04, the amounts determined under Section 3.02 of this Agreement with respect to such taxable period.

Section 3.02 Allocation of Federal Income Tax. The federal income Tax liability of the CIE Companies for any federal income Tax Return filed by the CEC Consolidated Group that includes the CIE Companies that is governed by the second sentence of Section 3.01 shall be calculated in the following manner:

(a) Any allocation of Tax pursuant to this Article III shall be computed between the CIE Companies (and any Subsidiaries of the CIE Companies formed after the date of this Agreement that are also Members of the CEC Consolidated Group) as one group and all other Members of the CEC Consolidated Group as a separate group.

(b) Federal income Tax will be allocated to the CIE Companies based on the Tax the CIE Companies would have paid had they independently filed a federal income Tax Return for such taxable period including all of the CIE Companies (such Tax, the "Federal Separate Tax Liability). For purposes of this Section 3.02 (b), the CIE Companies' Tax liability shall be reduced by the CIE Companies' carrybacks and

carryovers of federal Tax Benefit Items from other taxable periods to the extent such federal Tax Benefit Items do not give rise to a payment pursuant to Section 3.03.

Section 3.03 Federal Tax Benefit Items. CEC shall pay to the CIE Companies in accordance with Section 3.04 of this Agreement, the amount, if any, by which one or more federal Tax Benefit Items reduced the federal income Tax liability of the CEC Consolidated Group for any taxable period for which a Consolidated Return is filed by CEC after the date of this Agreement. For purposes of computing the amount of the payment described in this Section 3.03, one or more federal Tax Benefit Items shall be considered to have reduced the CEC Consolidated Group's federal income Tax liability in a given taxable period by an amount equal to the difference, if any, between (i) the amount of the CEC Consolidated Group's federal income Tax liability for the taxable period computed without regard to such federal Tax Benefit Item or Items and (ii) the amount of the CEC Consolidated Group's federal income Tax liability for the taxable period computed with regard to such federal Tax Benefit Item or Items.

Section 3.04 Payment.

(a) The computation of the federal income Tax allocations, as well as any required payment to and from CEC, shall be made within sixty (60) days after CEC makes a payment to, or receives a payment credit or offset from, any Taxing Authority pursuant to this Article III. Any required payment to and from CEC shall create a payable or receivable, as applicable, which shall be settled with a cash payment in accordance with the terms of this Agreement. The allocation and payment of Taxes under this Article III shall be made at the reasonable discretion of CEC, provided that the CIE Companies shall be entitled to review and comment on such allocations and computations, and CEC shall consider in good faith any such comments of the CIE Companies with respect to such allocations and computations.

(b) The same method used for the calculation of estimated Tax for the CEC Consolidated Group shall be used to calculate the amount of estimated Tax allocated to the CIE Companies. With regard to any estimated Tax that is calculated based upon income of a prior taxable period, the payments under this Agreement shall also be calculated based upon such income and appropriate adjustments made when the final Tax Return is filed with respect to such estimated Tax. For estimated Tax calculated in any other manner, the payments under this Agreement shall be determined based upon the principles of Section 3.02 of this Agreement.

Section 3.05 Carrybacks. In the event any federal Tax Benefit Item for any taxable period after the CIE Companies cease being Members of the CEC Consolidated Group is eligible to be carried back to a taxable period while the CIE Companies were Members of the CEC Consolidated Group, the CIE Companies shall, where possible, elect to carry such federal Tax Benefit Item forward to subsequent taxable periods. If the CIE Companies are required by law to carry back any such federal Tax Benefit Item, the CIE Companies shall be entitled to a payment from CEC to the

extent that such a payment would be required under the terms of Section 3.03 of this Agreement.

ARTICLE IV

ALLOCATION AND PAYMENT OF

COMBINED/CONSOLIDATED STATE AND LOCAL TAXES

Section 4.01 Payment of Combined/Consolidated State and Local Income Tax. CEC shall be responsible for the remittance of all payments of state income Tax, including estimated Tax, due with respect to State Combined and Consolidated Returns filed for State Affiliated Companies. Subject to Section 6.04, for the taxable period of the CIE Companies ending on the Deconsolidation Date, the CIE Companies shall pay to CEC, at the times provided by Section 4.03, the amounts determined under Section 4.02 of this Agreement with respect to such taxable period.

Section 4.02 Allocation of Combined/Consolidated State and Local Income Tax. The state income Tax liability of the CIE Companies for each State Combined or Consolidated Return filed by CEC that includes the CIE Companies that is governed by the second sentence of Section 4.01 shall be calculated in the following manner:

(a) An allocation of Tax or payment attributable to a state Tax Benefit Item pursuant to this Article IV shall be made to the CIE Companies only if CEC reasonably determines that the CIE Companies have a nexus presence in a state taxing jurisdiction for which the allocation of Tax or payment attributable to a state Tax Benefit Item is being determined.

(b) Any allocation of Tax pursuant to this Article IV shall be computed between the CIE Companies (and any subsidiaries of the CIE Companies formed after the date of this Agreement that are also State Affiliated Companies) as one group and all other State Affiliated Companies as a separate group.

(c) If the CIE Companies as a group have Separate Return Taxable Income, a state income Tax liability will be allocated to the CIE Companies in an amount equal to (i) the Separate Return Taxable Income of the CIE Companies for that taxable period, multiplied by (ii) the applicable statutory rate for such state (such Tax liability, the “State Separate Tax Liability”). For purposes of this Section 4.02(c), the CIE Companies’ allocated Tax shall be reduced by the CIE Companies’ carrybacks and carryovers of state Tax Benefit Items from other taxable periods to the extent such state Tax Benefit Items do not give rise to a payment pursuant to Section 4.02(d).

(d) CEC shall pay to the CIE Companies in accordance with Section 4.03 of this Agreement, the amount, if any, by which one or more state Tax Benefit Items of the CIE Companies reduced the State Combined or Consolidated Return

Tax liability for any taxable period for which a State Combined or Consolidated Return is filed by CEC after the date of this Agreement. For purposes of computing the amount of the payment described in this Section 4.02(d), one or more state Tax Benefit Items shall be considered to have reduced the State Combined or Consolidated Return Tax liability in a given taxable period by an amount equal to the difference, if any, between (i) the amount of the State Combined or Consolidated Return Tax liability for the taxable period computed without regard to such state Tax Benefit Item or Items and (ii) the amount of the State Combined or Consolidated Return Tax liability for the taxable period computed with regard to such state Tax Benefit Item or Items.

(e) Subject to Section 6.04, if CEC incurs a Tax liability in any state taxing jurisdiction, in addition to the Separate Return Taxable Income of the CIE Companies, solely as a result of activities conducted by, or a nexus presence of, the CIE Companies in such state taxing jurisdiction, the CIE Companies shall be liable for such Tax liability of CEC and shall pay the amount of such Tax liability to CEC in accordance with Section 4.03 of this Agreement. Any Tax Benefit generated as a result of the payment of any such Tax liability shall be deemed a Tax Benefit Item.

Section 4.03 Payment.

(c) The computation of the state income Tax allocations, as well as any required payment to and from CEC, shall be made within sixty (60) days after CEC makes a payment to, or receives a payment credit or offset from, any Taxing Authority pursuant to this Article IV. Any required payment to and from CEC shall create a payable or receivable, as applicable, which shall be settled with a cash payment in accordance with the terms of this Agreement. The allocation and payment of Taxes under this Article IV shall be made at the reasonable discretion of CEC, provided that the CIE Companies shall be entitled to review and comment on such computations, and CEC shall consider in good faith any such comments of the CIE Companies with respect to such computations.

(d) The same method used for the calculation of estimated Tax for any State Combined or Consolidated Return shall be used to determine the amount of estimated Tax allocated to the CIE Companies. With regard to any estimated Tax that is calculated based upon income of a prior taxable period, the payments under this Agreement shall also be calculated based upon such income and appropriate adjustments made when the final Tax Return is filed with respect to such estimated Tax. For estimated Tax calculated in any other manner, the payments under this Agreement shall be determined based upon the principles of Section 4.02 of this Agreement.

Section 4.04 Carrybacks. In the event any state Tax Benefit Item for any taxable period after the CIE Companies cease being State Affiliated Companies is eligible to be carried back to a taxable period while the CIE Companies were State Affiliated Companies, the CIE Companies shall, where possible, elect to carry such state Tax Benefit Item forward to subsequent taxable periods. If the CIE Companies are required by law to carry back any such state Tax Benefit Item, the CIE Companies shall be entitled

to a payment from CEC to the extent that such a payment would be required under the terms of Section 4.02(d) of this Agreement.

ARTICLE V

PAYMENT OF OTHER TAXES

Section 5.01 **Other Taxes.** Subject to Section 6.04, for taxable periods beginning after the date of this Agreement, all Taxes payable relating to the Tax Returns described in Sections 2.01(b), 2.02(b) and 2.03, as well as any other Taxes owed by the CIE Companies other than Taxes attributable to (i) Tax Returns filed by the CEC Consolidated Group, and (ii) State Combined or Consolidated Returns filed on behalf of the State Affiliated Companies shall be paid by the CIE Companies.

ARTICLE VI

INDEMNIFICATION

Section 6.01 **CEC's Indemnification Obligations.** Except as otherwise provided in this Agreement, CEC and its Affiliates will indemnify and hold harmless the CIE Companies for all liabilities for Taxes (and any loss, cost, fine, penalty, damage or other expense of any kind, including reasonable attorneys' fees and costs incurred in connection therewith) attributable to (i) any Taxes of CEC or the CEC Consolidated Group Companies (without regard to the CIE Companies) imposed upon the CIE Companies by reason of the CIE Companies being liable for such Taxes pursuant to Treasury Regulation Section 1.1502-6 or 1.1502-78 or any analogous provision of state or local law, including any Taxes related to deferred intercompany gains triggered by the CIE Contribution; (ii) any Taxes imposed on the CIE Companies as a result of CEC settling a Tax Controversy pursuant to Section 7.02(c) without seeking consent (or over the reasonable objection) of the CIE Companies; and (iii) any Taxes imposed on the CIE Companies due to the breach of any obligation or covenant of CEC under this Agreement.

Section 6.02 **CIE's Indemnification Obligations.** Subject to Section 6.04, the CIE Companies will indemnify and hold harmless CEC and its Affiliates for all liabilities for Taxes (and any loss, cost, fine, penalty, damage or expense of any kind, including reasonable attorneys' fees and costs incurred in connection therewith) attributable to (i) any Taxes of the CIE Companies (which for the purposes of this Section 6.02 shall be treated as a separate consolidated group for U.S. federal, state and local income Tax purposes) imposed upon CEC and its Affiliates by reason of CEC and its Affiliates being liable for such Taxes pursuant to Treasury Regulation Section 1.1502-6 or 1.1502-78 or any analogous provision of state or local law; and (ii) any Taxes imposed on CEC and its Affiliates due to the breach of any obligation or covenant of the CIE Companies under this Agreement.

Section 6.03 Indemnification Mechanics.

(a) If the Indemnifying Party is required to indemnify the Indemnified Party pursuant to this Article XI, the Indemnified Party shall submit its calculations of the amount required to be paid pursuant to this Article XI, showing such calculations in reasonably sufficient detail so as to permit the Indemnifying Party to understand the calculations. The Indemnifying Party shall pay to the Indemnified Party, no later than ten (10) business days after the Indemnifying Party receives the Indemnified Party's calculations, the amount that the Indemnifying Party is required to pay the Indemnified Party under this Article XI; provided, however, that the Indemnifying Party will not be required to make the indemnification payment if the Indemnifying Party disagrees with such calculations. In such case, the Indemnifying Party shall notify the Indemnified Party of its disagreement in writing within ten (10) business days of receiving such calculations. Any disagreement with respect to such indemnification payment will be resolved pursuant to Section 8.03.

(b) Any claim under this Article XI shall be made no later than sixty (60) days after the expiration of the applicable statute of limitations for assessment of such liability for Taxes.

(c) The amount of any indemnification payment with respect to any liability for Taxes will be reduced by any current Indemnification Tax Benefits actually realized by the Indemnified Party in respect of such liability for Taxes by the end of the taxable period in which the indemnity payment is made. The calculation of such Indemnification Tax Benefit shall be included in the calculation required to be submitted pursuant to Section 6.03(a). If any indemnification payment hereunder is determined to be taxable to the Indemnified Party by any Tax Authority, the indemnity payment payable by the Indemnifying Party will be increased as necessary to ensure that, after all required Taxes on the indemnity payment are paid (including Taxes applicable to any increases in the indemnity payment under this Section 6.03(c)), the Indemnified Party receives the amount it would have received if the indemnity payment was not taxable.

Section 6.04 Taxes Indemnifiable pursuant to the Transaction Agreement .

Notwithstanding anything to the contrary in this Agreement, the CIE Companies shall have no obligation to make any indemnification or other payment under this Agreement to CEC and its Affiliates with respect to amounts that CEC and its Affiliates have indemnified or are required to indemnify the CIE Companies for pursuant to Section 12 of the Transaction Agreement.

ARTICLE VII

COOPERATION AND TAX CONTROVERSY

Section 7.01 Cooperation.

(a) CEC and the CIE Companies shall cooperate fully (and cause their respective Affiliates to cooperate fully) at such time and to the extent reasonably requested by the other party in connection with the preparation and filing of any Tax Return or the conduct of any audit, dispute, proceeding, suit or action concerning any issues or any other matter contemplated hereunder. Such cooperation shall include, without limitation, (i) the retention and provision on demand of books, records, documentation or other information relating to any Tax Return until the later of (x) the expiration of the applicable federal or state statute of limitation (giving effect to any extension, waiver, or mitigation thereof) and (y) in the event any claim has been made under this Agreement for which such information is relevant, until a Final Determination with respect to such claim; (ii) the execution of any document that may be necessary or reasonably helpful in connection with the filing of any Tax Return, or claim for a refund of Taxes previously paid, by either party, or in connection with any audit, proceeding, suit or action addressed in the preceding sentence (including a requisite power of attorney); and (iii) the use of the parties' best efforts to obtain any documentation from a Taxing Authority or any other administrative, judicial or other governmental authority or a third party that may be necessary or helpful in connection with the foregoing. Each party shall make its employees and facilities reasonably available on a mutually convenient basis to facilitate such cooperation.

(b) CEC and the CIE Companies shall use reasonable efforts to keep each other advised as to the status of Tax Controversies (as defined below) involving any issue which could give rise to the liability of the other party under this Agreement. CEC and the CIE Companies shall each promptly notify the other of any inquiries by any Taxing Authority or any other administrative, judicial or other governmental authority that relate to any Tax that may be imposed on the other or any affiliate of the other that might give rise to any liability under this Agreement.

Section 7.02 Contest Provisions. Subject to the cooperation provisions in Section 7.01, CEC shall have full responsibility and discretion in the handling of any audit, protest to an administrative agency, and litigation in other court of competent jurisdiction (a "Tax Controversy"), and the right to determine settlement of such Tax Controversy, which relates to (i) a Tax Return of the CEC Consolidated Group or of the State Affiliated Companies and (ii) any other Tax Controversy involving a Tax for which CEC is responsible pursuant to Section 6.01 of this Agreement, provided that, (a) the CIE Companies shall, at the expense of the CIE Companies, have participation and consultation rights with respect to any Tax Controversy relating to Taxes for which the CIE Companies would be responsible under this Agreement (for the avoidance of doubt, including pursuant to Section 7.03), or that would reasonably be expected to have a material impact on Taxes of the CIE Companies for taxable periods after the Deconsolidation Date, (b) CEC agrees to consider in good faith any comments or suggestions of the CIE Companies with respect to the resolution of such Tax Controversy; and (c) such Tax Controversy shall not be settled without the prior written consent of the CIE Companies, which consent shall not be unreasonably withheld or delayed (it being understood and agreed that CEC may settle the Tax Controversy

notwithstanding the failure to obtain such consent and, in such case, the sole remedy of the CIE Companies shall be monetary damages and not injunctive relief). The CIE Companies shall have full responsibility and discretion in the handling of any Tax Controversy, and the sole right to determine the settlement of such Tax Controversy, involving any other Taxes of the CIE Companies.

Section 7.03 Certain Adjustments. In the event of a redetermination of any Tax Item reflected on any Tax Return described in Section 2.01(a) and Section 2.02(a), as a result of a refund of Taxes paid, a Final Determination, or any settlement or compromise with any Taxing Authority that may affect the Separate Tax Liability, CEC will prepare a revised pro forma Tax Return for the relevant taxable period reflecting the redetermination of such Tax Item as a result of such refund, Final Determination, settlement, or compromise. Subject to Section 6.04, the CIE Companies shall pay to CEC, or CEC shall pay to the CIE Companies, as appropriate, an amount equal to the difference, if any, between the Separate Tax Liability based on such revised pro forma Tax Return and the Separate Tax Liability for such period as originally computed pursuant to this Agreement.

ARTICLE VIII

MISCELLANEOUS

Section 8.01 Effective Date. This Agreement applies to all matters related to any Tax Returns filed, Taxes paid, adjustments made in respect of any Tax, and any other matters involving Taxes on or after the date of this Agreement.

Section 8.02 Setoff. All payments to be made by any party under this Agreement may be netted against payments due to such party under this Agreement, but otherwise shall be made without setoff, counterclaim or withholding.

Section 8.03 Dispute Resolution. In the event that CEC and CIE disagree as to the amount or calculation of any payment to be made under this Agreement, or the interpretation or application of any provision under this Agreement, the parties will attempt in good faith to resolve such dispute. If such dispute is not resolved within sixty (60) business days following the commencement of the dispute, CEC and CIE will jointly retain an Independent Firm, reasonably acceptable to both parties, to resolve the dispute. The Independent Firm will act as an arbitrator to resolve all points of disagreement and its decision will be final and binding upon all parties involved. Following the decision of the Independent Firm, CEC and CIE will each take or cause to be taken any action necessary to implement the decision of the Independent Firm. The fees and expenses relating to the Independent Firm will be borne by the party that does not prevail in the dispute resolution proceeding.

Section 8.04 Interest. Payments pursuant to this Agreement that are not made within the period prescribed in this Agreement (the “Payment Period”) and that are not otherwise setoff against amounts owed by one party to the other party will bear

interest for the period from and including the date immediately following the last date of the Payment Period through and including the date of payment at a per annum rate equal to the applicable rate for large corporate underpayments set forth in Section 6621(c) of the Code. Such interest will be payable at the same time as the payment to which it relates and will be calculated on the basis of a year of 365 days and the actual number of days for which due.

Section 8.05 Complete Agreement; Survival. This Agreement and the provisions of the Transaction Agreement that relate to Taxes constitute the entire agreement of the parties concerning the subject matter hereof. Any other agreements whether or not written, in respect of any Tax between or among CEC and the CIE Companies shall be terminated and have no further effect. This Agreement may not be amended or terminated except by an agreement in writing signed by the parties hereto. To the extent there is a conflict between this Agreement and the Transaction Agreement, the provisions of the Transaction Agreement shall control.

Section 8.06 Confidentiality. Each party will hold and cause its directors, officers, employees, advisors and consultants to hold in strict confidence, unless compelled to disclose by judicial or administrative process or, in the opinion of its counsel, by other requirements of law, all information (other than any such information relating solely to the business or affairs of such party) concerning the other parties hereto furnished to it by such other party or its representatives pursuant to this Agreement (except to the extent that such information can be shown to have been (i) in the public domain through no fault of such party, (ii) later lawfully acquired from other sources not known to be under a duty of confidentiality by the party to which it was furnished, or (iii) independently developed), and each party will not release or disclose such information to any other person, except its directors, officers, employees, auditors, attorneys, financial advisors, bankers and other consultants who will be advised of and agree to be bound by the provisions of this Section 8.06. Each party will be deemed to have satisfied its obligation to hold confidential information concerning or supplied by the other party if it exercises the same care as it takes to preserve confidentiality for its own similar information.

Section 8.07 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to the principles of conflict of laws of the State of Delaware.

Section 8.08 Successors and Assigns. A party's rights and obligations under this Agreement may not be assigned without the prior written consent of the other party. All of the provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. If any party to this Agreement forms or acquires one or more Subsidiaries that becomes a Member of the CEC Consolidated Group or a State Affiliated Company, such party will cause any such Subsidiary to be bound by the terms of this Agreement, and this Agreement shall apply to any such Subsidiary in the same manner and to the same extent as the current party.

Section 8.09 Intended Third Party Beneficiaries. This Agreement is solely for the benefit of the parties to this Agreement and should not be deemed to confer upon third parties any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without this Agreement.

Section 8.10 Legal Enforceability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions. Any prohibition or unenforceability of any provision of this Agreement in any jurisdiction shall not invalidate or render unenforceable the provision in any other jurisdiction.

Section 8.11 Severability. If any provision of this Agreement or the application thereof to any person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to persons or circumstances other than those as to which it has been held invalid or unenforceable, will remain in full force and effect and will in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party.

Section 8.12 Expenses. Unless otherwise expressly provided in this Agreement, each party shall bear any and all expenses that arise from its respective obligations under this Agreement. In the event either party to this Agreement brings an action or proceeding for the breach or enforcement of this Agreement, the prevailing party in such action or proceeding, whether or not such action or proceeding proceeds to final judgment, shall be entitled to recover as an element of its costs, and not as damages, such reasonable attorneys' fees as may be awarded in the action or proceeding in addition to whatever other relief to which the prevailing party may be entitled.

Section 8.13 Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

Section 8.14 Change in Law. If, after the date this Agreement is executed, as a result of an amendment to the Code, the promulgation of proposed, temporary or final regulations, the issuance of a ruling by a Tax Authority, the decision of any court, or a change in any applicable state or local law, CEC or the CIE Companies believe that it is necessary or helpful to amend the provisions of this Agreement in order to preserve the rights and benefits contemplated herein, each of the parties hereto agrees to negotiate in good faith all such amendments and modifications as shall be necessary or appropriate in order to preserve as nearly as possible for the parties hereto the rights and benefits contemplated herein.

Section 8.15 Notices. All notices and other communications required or permitted to be given hereunder shall be in writing and will be deemed given upon (a) a

transmitter's confirmation of a receipt of a facsimile transmission (but only if followed by confirmed delivery of a standard overnight courier the following business day or if delivered by hand the following business day), (b) confirmed delivery of a standard overnight courier or when delivered by hand or (c) the expiration of five business days after the date mailed by certified or registered mail (return receipt requested), postage prepaid, to the parties at the following addresses (or at such other addresses for a party as may be specified by like notice):

If to CEC or any member of the CEC Consolidated Group other than CIE, to:

Caesars Entertainment Corporation
Attn: General Counsel
One Caesars Palace Drive
Las Vegas, NV 89109

with a copy (which will not constitute effective notice) to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
Attn: Brad R. Okun
1285 Avenue of the Americas
New York, NY 10019

If to CIE or any of the CIE Companies, to:

Caesars Interactive Entertainment, Inc.
Attn: Chief Executive Officer
One Caesars Palace Drive
Las Vegas, NV 89109

with a copy (which will not constitute effective notice) to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
Attn: Brad R. Okun
1285 Avenue of the Americas
New York, NY 10019

or to such other address as any party hereto may have furnished to the other parties by a notice in writing in accordance with this Section 8.15.

Section 8.16 Authorization. Each of CEC and CIE hereby represents and warrants that it has the power and authority to execute, deliver and perform this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of such party, that this Agreement constitutes a legal, valid and binding obligation of each such party and that the execution, delivery and performance of this Agreement by such party does not contravene or conflict with any provision of law or of its charter or bylaws or any agreement, instrument or order binding on such party.

Section 8.17 Waiver of Jury Trial. Each of the parties hereto irrevocably and unconditionally waives all right to trial by jury in any litigation, claim, action, suit, arbitration, inquiry, proceeding, investigation or counterclaim (whether based in contract, tort or otherwise) arising out of or relating to this Agreement or the actions of the parties hereto in the negotiation, administration, performance and enforcement thereof.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first written above.

CAESARS ENTERTAINMENT CORPORATION

By: /s/ Eric Hession

Name: Eric Hession

Title: Senior Vice President and Treasurer

CAESARS INTERACTIVE ENTERTAINMENT, INC.

By: /s/ Craig Abrahams

Name: Craig Abrahams

Title: Senior Vice President, Chief Financial Officer and Treasurer

[Signature Page – Tax Matters Agreement]

I, Mitch Garber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Caesars Acquisition Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 20, 2013

By: _____ / S / MITCH GARBER
Mitch Garber
Chief Executive Officer

I, Craig Abrahams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Caesars Acquisition Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 20, 2013

By: _____ / s / Craig Abrahams
Craig Abrahams
Chief Financial Officer

Certification of Principal Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Caesars Acquisition Company (the “Company”), hereby certifies, to such officer's knowledge, that:

- (i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2013 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 20, 2013

/ S / Mitch Garber

Mitch Garber
Chief Executive Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Certification of Principal Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Caesars Acquisition Company (the “Company”), hereby certifies, to such officer's knowledge, that:

- (i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2013 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 20, 2013

/ s / Craig Abrahams

Craig Abrahams

Chief Financial Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Attachment VIII.A.7.a_A3

CAESARS ACQUISITION CO

FORM 10-Q (Quarterly Report)

Filed 05/12/14 for the Period Ending 03/31/14

Address ONE CAESARS PALACE DRIVE
 LAS VEGAS, NV 89109
Telephone 7024076000
 CIK 0001575879
Symbol CACQ
SIC Code 7011 - Hotels and Motels
Fiscal Year 12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended March 31, 2014

or

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File No. 001-36207

CAESARS ACQUISITION COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

46-2672999

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

One Caesars Palace Drive, Las Vegas, Nevada

(Address of principal executive offices)

89109

(Zip Code)

(702) 407-6000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class

Class A Common stock, \$0.001 par value

Outstanding at May 7, 2014

135,771,882

**CAESARS ACQUISITION COMPANY
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Caesars Growth Partners, LLC has proprietary rights to a number of trademarks used in this Quarterly Report on Form 10-Q that are important to its business, including, without limitation, *World Series of Poker* (" WSOP "), Playtika Ltd. ("Playtika"), *Slotomania* and *Bingo Blitz* . In addition, Caesars Entertainment Corporation, our joint venture partner in Caesars Growth Partners, LLC, has proprietary rights to, among others, Caesars, Caesars Entertainment, Caesars Palace, Harrah's, Total Rewards, Horseshoe, Paris Las Vegas, Flamingo, and Bally's. We have omitted the registered trademark (®) and trademark (™) symbols for such trademarks named in this Quarterly Report on Form 10-Q .

PART I - FINANCIAL INFORMATION

Item 1 . Unaudited Financial Statements

CAESARS ACQUISITION COMPANY
CONDENSED BALANCE SHEETS
(UNAUDITED)
(In millions, except par value and share data)

	March 31, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	\$ —	\$ —
Receivables, net	—	2.5
Prepayments and other current assets	0.8	1.1
Total current assets	0.8	3.6
Equity method investment in Caesars Growth Partners, LLC	1,150.8	1,141.9
Deferred tax assets	9.4	2.1
Total assets	<u>\$ 1,161.0</u>	<u>\$ 1,147.6</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 4.3	\$ 1.4
Payables to related party	2.4	0.1
Deferred tax liabilities	0.4	0.4
Income tax payable	6.0	—
Total current liabilities	<u>13.1</u>	<u>1.9</u>
Commitments and contingencies (Note 6)		
Stockholders' equity		
Common stock: \$0.001 par value; 300,000,000 Class A shares and 900,000,000 Class B shares authorized; 135,771,882 Class A shares issued and outstanding at March 31, 2014 and December 31, 2013	0.1	0.1
Additional paid-in capital	1,141.1	1,141.1
Retained earnings	6.7	4.5
Total stockholders' equity	<u>1,147.9</u>	<u>1,145.7</u>
Total liabilities and stockholders' equity	<u>\$ 1,161.0</u>	<u>\$ 1,147.6</u>

See accompanying Notes to Condensed Financial Statements.

CAESARS ACQUISITION COMPANY
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
(In millions, except per share data)

	Quarter Ended March 31, 2014
Revenues	\$ —
Operating expenses	(5.9)
Income from equity method investment in Caesars Growth Partners, LLC	9.3
Income before provision for income taxes	3.4
Provision for income taxes	(1.2)
Net income	2.2
Other comprehensive income, net of income taxes	—
Total comprehensive income	\$ 2.2
Earnings per share - basic and diluted	\$ 0.02
Weighted average common shares outstanding - basic and diluted	135.8

See accompanying Notes to Condensed Financial Statements.

CAESARS ACQUISITION COMPANY
CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(In millions)

	Class A Common Stock	Additional Paid-in Capital	Retained Earnings	Total Equity
Balance at December 31, 2013	\$ 0.1	\$ 1,141.1	\$ 4.5	\$ 1,145.7
Net income	—	—	2.2	2.2
Balance at March 31, 2014	<u>\$ 0.1</u>	<u>\$ 1,141.1</u>	<u>\$ 6.7</u>	<u>\$ 1,147.9</u>

See accompanying Notes to Condensed Financial Statements.

CAESARS ACQUISITION COMPANY
CONDENSED STATEMENT OF CASH FLOWS
(UNAUDITED)
(In millions)

	Quarter Ended March 31, 2014	
Cash flows from operating activities		
Net income	\$	2.2
Adjustments to reconcile net income to cash flows provided by operating activities		
Income from equity method investment in Caesars Growth Partners, LLC		(9.3)
Distribution from equity method investee Caesars Growth Partners, LLC		0.4
Net change in deferred income taxes		(7.3)
Receivables		2.5
Other current assets		0.3
Accounts payable		2.9
Payable to related parties		2.3
Income tax payable		<u>6.0</u>
Cash flows provided by operating activities		—
Cash flows from investing activities		—
Cash flows from financing activities		—
Net change in cash and cash equivalents		—
Cash and cash equivalents, beginning of period		—
Cash and cash equivalents, end of period	\$	<u>—</u>

See accompanying Notes to Condensed Financial Statements.

CAESARS ACQUISITION COMPANY
NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1 — Description of Business and Summary of Significant Accounting Policies

Organization and Description of Business

Caesars Acquisition Company (the "Company," "CAC," "we," "our" and "us"), a Delaware corporation, was formed on February 25, 2013 to make an equity investment in Caesars Growth Partners, LLC ("CGP LLC"), a joint venture between CAC and subsidiaries of Caesars Entertainment Corporation ("CEC" or "Caesars Entertainment"). CAC directly owns 100% of the voting membership units of CGP LLC, a Delaware limited liability company and accounts for its ownership in CGP LLC using the hypothetical liquidation at book value ("HLBV") approach to the equity method of accounting (see Note 3 — Equity Method Investment in Caesars Growth Partners, LLC).

Basis of Presentation

Our unaudited financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), which require the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of expenses during the reporting periods. Management believes the accounting estimates are appropriate and reasonably determined. However, due to the inherent uncertainties in making these estimates, actual amounts could differ.

The results for the interim period reflect all adjustments (consisting primarily of normal recurring adjustments) that management considers necessary for a fair presentation of financial position, results of operations, and cash flows. The results of operations for our interim period are not necessarily indicative of the results of operations that may be achieved for the entire 2014 fiscal year.

As CAC's only material asset on the Condensed Balance Sheet is its equity method investment in CGP LLC, segment reporting is not applicable. We have elected to include condensed consolidated financial information of CGP LLC as an exhibit to this quarterly report.

Note 2 — Recently Issued Accounting Pronouncements

We have assessed recently issued guidance and have determined there are no recently issued accounting pronouncements that will have a material impact on our financial position or results of operations.

Note 3 — Equity Method Investment in Caesars Growth Partners, LLC

We account for our investment in CGP LLC using the HLBV form of the equity method of accounting. Under HLBV accounting, we determine our share of the earnings or losses in CGP LLC by determining the difference between our claim on CGP LLC's book value of equity at the end and beginning of the period. This claim is calculated as the amount that we would receive if CGP LLC were to liquidate all of its net assets at recorded amounts determined in accordance with GAAP and distribute the resulting cash to us in accordance with our respective liquidation priorities. CAC's claim on CGP LLC's book value of equity is based on the terms of the CGP Operating Agreement, which generally requires the allocation of the net proceeds of a liquidation of CGP LLC as follows:

1. First, to the voting units held by CAC, to the extent of contributed capital and an annually compounded preferred return of 10.5% on the invested portion of CAC's contributed capital;
2. Second, to the non-voting units held by Caesars Entertainment and/or its subsidiaries until Caesars Entertainment catches up (on a per unit basis) to its respective amount distributed in provision (1) (including the 10.5% per annum of return on investment);
3. Finally, to all unit holders on a pro-rata basis.

Based on CGP LLC's loss for the first quarter of 2014, our earnings for the period were equal to our preferred return of 10.5% of capital invested by CGP LLC.

Our investee, CGP LLC, had the following financial results as of or for the periods indicated (see CGP LLC unaudited financial information in Exhibit 99.1):

<u>(In millions)</u>	<u>Quarter Ended March 31, 2014</u>			
Statement of Operations				
Revenues				
Interactive Entertainment	\$ 124.2			
Casino Properties and Developments	102.1			
Net revenues	226.3			
Operating expenses				
Interactive Entertainment - Direct	35.3			
Casino Properties and Developments - Direct	40.6			
Property, general, administrative and other	121.8			
Depreciation and amortization	13.6			
Change in fair value of contingently issuable non-voting membership units	76.1			
Change in fair value of contingent consideration	0.7			
Total operating expenses	288.1			
Loss from operations	(61.8)			
Interest expense, net of interest capitalized	(11.9)			
Interest income	1.0			
Interest income - related party	48.8			
Loss on extinguishment of debt	(0.6)			
Loss before provision for income taxes	(24.5)			
Provision for income taxes	(1.7)			
Net loss	(26.2)			
Less: net loss attributable to non-controlling interests	6.5			
Net loss attributable to Caesars Growth Partners, LLC	\$ (19.7)			
Balance Sheet Data				
	March 31, 2014	December 31, 2013		
Current assets	\$ 1,101.2	\$ 1,103.5		
Long-term assets	2,237.9	2,075.0		
Current liabilities	310.2	232.5		
Long-term liabilities	1,238.0	1,147.6		
Redeemable non-controlling interests	3.3	3.9		
Non-redeemable non-controlling interests	46.8	44.8		

Note 4 — Stockholders' Equity and Earnings per Share

Stockholders' Equity

Common Stock

As of both March 31, 2014 and December 31, 2013, CAC had issued a total of 135,771,882 shares of Class A common stock and no shares of Class B common stock.

Call Right

Pursuant to the certificate of incorporation of CAC and the CGP Operating Agreement, after October 21, 2016, Caesars Entertainment and/or its subsidiaries will have the right, which it may assign to any of its affiliates or to any transferee of all non-voting units of CGP LLC held by subsidiaries of Caesars Entertainment, to acquire all or a portion of the voting units of CGP LLC (or, at the election of CAC, shares of CAC's Class A common stock) not otherwise owned by Caesars Entertainment and/or its subsidiaries at such time. The purchase consideration may be, at Caesars Entertainment's option, cash or shares of Caesars Entertainment's common stock valued at market value, net of customary market discount and expenses, provided that the cash portion will not exceed 50% of the total consideration in any exercise of the call right. The purchase price will be the greater of (i) the fair market value of the voting units of CGP LLC (or shares of CAC's Class A common stock) at such time based on an independent appraisal or (ii) the initial capital contribution in respect of such units plus a 10.5% per annum return on

such capital contribution, subject to a maximum return on such capital contribution of 25% per annum, taking into account prior distributions with respect to such units.

Accumulated Other Comprehensive Income

For the three-month period ended March 31, 2014 , there were no amounts reclassified out of Accumulated other comprehensive income.

Earnings per Share

Basic earnings per share is calculated by dividing income, net of income taxes, by the weighted average number of common shares outstanding for the three-month period ended March 31, 2014 . There were no dilutive shares and there were no anti-dilutive shares excluded from the computation of diluted income per share for the quarter ended March 31, 2014 .

Note 5 — Income Taxes

Total income taxes were allocated as follows:

<u>(In millions)</u>	<u>March 31, 2014</u>	
Income tax impact on income before taxes	\$	1.2
Accumulated other comprehensive income	—	—
Additional paid-in capital	—	—

We classify reserves for tax uncertainties within Accrued expenses and Deferred credits and other in our Consolidated Condensed Balance Sheets, separate from any related income tax payable or deferred income taxes. Reserve amounts relate to any potential income tax liabilities resulting from uncertain tax positions and potential interest or penalties associated with those liabilities.

Income taxes are recorded under the asset and liability method, whereby deferred tax assets and liabilities are recognized based on the expected future tax consequences of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and attributable to operating loss and tax credit carryforwards. Our equity-method investee, CGP LLC, is a partnership for income tax purposes so the deferred tax assets and liabilities recognized by CAC are also impacted by the expected future tax consequences of temporary differences at CGP LLC.

The effective tax rate for the three months ended March 31, 2014 was 34.7% .

We file income tax returns with federal and state jurisdictions. The 2013 tax year is open for examination for CAC's federal and state jurisdictions.

Note 6 — Litigation and Other Matters

From time to time, CAC, Predecessor Growth Partners (as defined in the Condensed Financial Statements of Predecessor Growth Partners contained within this quarterly report), or CGP LLC may be subject to legal proceedings and claims in the ordinary course of business.

Multiple lawsuits have been filed against CBAC Gaming, LLC ("CBAC"), the City of Baltimore, the Maryland Department of the Environment ("MDE"), and other parties in relation to the proposed location and the development of Horseshoe Baltimore casino in Maryland ("Horseshoe Baltimore"). These cases allege violations of various environmental laws, violations of zoning laws and public nuisance, among other claims. Although CAC, Predecessor Growth Partners, and CGP LLC believe that they have adequate defenses to these claims, an adverse judgment could result in additional costs, delays in construction, or injunctions.

In November 2012, the MDE granted approval of the Maryland Joint Venture's (the entity that indirectly holds interests in Horseshoe Baltimore casino in Maryland) amended response action plan ("RAP") under MDE's Voluntary Cleanup Program that named the Maryland Joint Venture, rather than the City of Baltimore, as the party that will implement the RAP and redevelop the proposed location of Horseshoe Baltimore. On February 20, 2013, a group of local residents working with the non-profit Inner Harbor Stewardship Foundation (the "Foundation") filed a complaint in the Maryland Circuit Court challenging the legality of the MDE's approval of the amended RAP. In the case, known as Ruth Sherrill, et al. v. State of Maryland Department of the Environment, et al., the Plaintiffs claimed that the amended RAP was approved without complying with the public notice and participation requirements of Maryland law. The plaintiffs sought additional public notice and participation, and to obtain an injunction on, among other things, any construction activities at the site pending the resolution of the case. On March 14, 2013, the court denied the plaintiffs' motion for a Temporary Restraining Order and Preliminary Injunction ("TRO"). The

plaintiffs' appeal of the TRO ruling was dismissed. On April 22, 2013, the plaintiffs filed an amended complaint adding a

public nuisance claim to their original complaint. The Maryland Joint Venture filed a motion to dismiss the plaintiffs' amended complaint and a hearing was held on the motion on June 14, 2013. The amended complaint was dismissed on November 6, 2013. The plaintiffs filed a notice of appeal on December 6, 2013 and oral arguments are scheduled for September 2014.

The plaintiffs issued a notice of intent to file a citizen suit under 42 U.S.C. §§ 6972(a)(1)(A) and (a)(1)(B) of the Resource Conservation and Recovery Act. This notice of intent indicated an intention to sue CBAC, the City of Baltimore, Whiting-Turner, the general contractor for the construction of the Horseshoe Baltimore, and the Maryland Chemical Company, the former owner and operator of the site. The citizen suit was filed on September 19, 2013, but did not name Whiting-Turner. The defendants filed motions to dismiss on October 15, 2013 for lack of subject matter jurisdiction and failure to state a claim to which plaintiffs responded on November 1, 2013. No hearing has been set on the motions to dismiss.

The decision of the Board of Municipal Zoning Appeals to grant variances for the site for Horseshoe Baltimore was appealed by separate parties on the basis of alleged procedural irregularities. The appeals were dismissed for lack of standing on October 11, 2013 and no appeal of that decision was timely filed.

On August 1, 2013, ten individuals claiming to represent a class of similarly situated individuals filed a complaint in the U.S. District Court for the Northern District of Maryland against the Maryland Department of the Environment, the City of Baltimore, the U.S. Environmental Protection Agency, CBAC, Whiting-Turner Contracting Company, and Urban Green Environmental, LLC. The 11 count complaint alleged that the RAP for the proposed location of Horseshoe Baltimore is inadequate and approved without appropriate public participation. Plaintiffs seek declaratory and injunctive relief, compensatory and punitive damages, and claim violations of civil rights laws and the Clean Water Act, civil conspiracy, and a variety of torts. The plaintiffs also sought a temporary restraining order, which the District Court denied on August 9, 2013. Plaintiffs amended their complaint on November 15, 2013 and again on December 26, 2013, adding 44 new plaintiffs and naming MDE, the Secretary of MDE, the City of Baltimore, the Mayor of the City of Baltimore, the Baltimore Development Corporation, and CBAC and CBAC Borrower LLC ("CBAC Borrower") as defendants. The defendants filed motions to dismiss on January 27, 2014 and plaintiffs filed their oppositions on February 28, 2014.

From time to time, the City of Baltimore may be subject to legal proceedings asserting claims related to the site. At this time, CAC, Predecessor Growth Partners, and CGP LLC have not been named as parties to these proceedings. However, an unfavorable outcome for the City of Baltimore could lead to construction delays if it were determined that corrective action was required and could not be implemented successfully offsite.

Four residents of Baltimore City and County issued a notice of intent to file a citizen suit under 33 U.S.C. § 1365(b) of the Clean Water Act against the City of Baltimore as owner of the site for water pollution alleged to originate there. A lawsuit was filed on behalf of two of the residents on July 2, 2013. The City of Baltimore moved to dismiss the complaint on August 28, 2013. One of the plaintiffs withdrew from the case on October 10, 2013. The U.S. District Court for the District of Maryland dismissed the case without prejudice on January 7, 2014 for lack of standing.

Two residents of Baltimore City filed suit on May 20, 2013 against the City of Baltimore, as owner of the site, alleging that the City of Baltimore was in violation of Maryland water pollution laws as a result of groundwater contamination alleged to be migrating from the site. The City of Baltimore was served with the complaint on June 12, 2013. An amended complaint was filed on July 19, 2013, which the City of Baltimore moved to dismiss on August 6, 2013. Plaintiffs dismissed the complaint without prejudice on September 12, 2013.

Letter from CEOC Second Lien Noteholders

On March 21, 2014, CAC, CGP LLC, Caesars Entertainment, Caesars Entertainment Operating Company, Inc. ("CEOC") and Caesars Entertainment Resort Properties, LLC ("CERP") received a letter (the "Second Lien Holders' Letter") from a law firm acting on behalf of unnamed clients who claim to hold Second-Priority Secured Notes of CEOC, alleging, among other things, that CEOC is insolvent and that CEOC's owners improperly transferred or seek to transfer valuable assets of CEOC to affiliated entities in connection with: (a) the transaction agreement dated October 21, 2013 by and among Caesars Entertainment, certain subsidiaries of Caesars Entertainment and CEOC, CAC and CGP LLC, which, among other things, provide for the asset transfers from subsidiaries of CEOC to CGP LLC of the Planet Hollywood Resort & Casino and interests in Horseshoe Baltimore that was consummated in 2013 (the "2013 CGP Transaction"); (b) the transfer by CEOC to CERP of Octavius Tower and the Linq that was consummated in 2013; (c) the transfers by CEOC to CGP LLC of The Cromwell, The Quad, and Bally's Las Vegas (together, the "Acquired Properties Transaction"); and (d) the contemplated transfer of Harrah's New Orleans (the "Contemplated Transaction"). The Second Lien Holders' Letter does not identify the holders or specify the amount of Second-Priority Secured Notes or other securities that they may hold. The Second Lien Holders' Letter includes allegations that these transactions constitute or will constitute voidable fraudulent transfers and represent breaches of alleged fiduciary duties owed to CEOC creditors and that certain disclosures concerning the transactions were inadequate. The Second Lien Holders' Letter demands, among other things, that the transactions be rescinded or terminated, as would be applicable.

CAC, CGP LLC, Caesars Entertainment, CEOC and CERP strongly believe there is no merit to the Second Lien Holders' Letter's allegations and will defend themselves vigorously and seek appropriate relief should any action be brought. If a court were to order rescission of the 2013 CGP Transaction, the Acquired Properties Transaction or enjoin consummation of the Contemplated Transaction, CGP LLC and Caesars Entertainment may have to return the properties and/or the assets transferred to CGP LLC in the 2013 CGP Transaction and the Acquired Properties Transaction, or their value, to Caesars Entertainment or CEOC, be forced to pay additional amounts therefor, or to take other actions ordered by the court. In addition, if the Contemplated Transaction were consummated and a court were to find that the transfer was improper, that could trigger a default under the CEOC's Senior Secured Credit Facilities and the Notes and a court could fashion a number of remedies, including declaring that the liens on the returned assets securing the CEOC's Senior Secured Credit Facilities and the Notes are not valid or enforceable, or that they may be equitably subordinated or otherwise impaired. These consequences could have a material adverse effect on CGP LLC's and the Company's business, financial condition, results of operations and prospects and on the ability of lenders and noteholders to recover on claims under the Senior Secured Credit Facilities and the Notes. See Item 1A. Risk Factors — Risks Related to Caesars Growth Partners, LLC's Business — We are or may become involved in legal proceedings that, if adversely adjudicated or settled, could impact our financial condition .

Letter from Holders of CEOC First Lien Debt

On April 3, 2014, a letter was sent to the boards of directors of Caesars Entertainment and CEOC (the "First Lien Holders' Letter") by a law firm claiming to act on behalf of unnamed parties who assert that they are lenders under CEOC's credit agreement and/or holders of CEOC's first-priority senior secured notes (collectively, the "First Lien Group"), alleging, among other things, that Caesars Entertainment and CEOC improperly transferred or seek to transfer assets of Caesars Entertainment and CEOC to affiliated entities in connection with: (a) the transaction agreement dated October 21, 2013 by and among Caesars Entertainment, certain subsidiaries of Caesars Entertainment and CEOC, CAC and CGP LLC, which, among other things, provides for the contributions by Caesars Entertainment and its subsidiaries to CGP LLC of Caesars Interactive Entertainment, Inc. ("CIE" or "Caesars Interactive") and \$1.1 billion face amount of CEOC's unsecured notes in exchange for non-voting interests of CGP LLC, and the asset transfers from subsidiaries of CEOC to CGP LLC of the Planet Hollywood Resort & Casino and interests in Horseshoe Baltimore that was consummated in 2013; (b) the transfer by CEOC to CERP of Octavius Tower and Project Linq that was consummated in 2013; (c) Acquired Properties Transaction consummated in 2014; and (d) the Contemplated Transaction and formation of Services JV among CEOC, CERP and the Company to provide certain centralized services, including but not limited to common management of enterprise-wide intellectual property (the "Contested Transactions"). The First Lien Holders' Letter asserts that the consideration received by Caesars Entertainment and CEOC in the Contested Transactions is inadequate, that Caesars Entertainment and CEOC were insolvent when the transactions were approved, that the Contested Transactions represented breaches of alleged fiduciary duties, that certain disclosures concerning the Contested Transactions were inadequate, and concerns about governance of CEOC. The First Lien Holders' Letter claims that the First Lien Group consists of holders of a total of more than \$1.85 billion of CEOC's first lien debt and that holders of an additional \$880.0 million of CEOC's first lien debt endorse and support the First Lien Holders' Letter but are not part of the group. The First Lien Holders' Letter demands, among other things, rescission or termination of the Contested Transactions and requests a meeting with representatives of Caesars Entertainment and other parties to discuss these matters.

Caesars Entertainment and CEOC strongly believe there is no merit to the First Lien Holders' Letter's allegations and will defend themselves vigorously and seek appropriate relief should any action be brought. If a court were to order rescission or termination of the Contested Transactions, CGP LLC and its subsidiaries may have to return the assets transferred to CGP LLC in the Contested Transactions or their value to Caesars Entertainment or CEOC, be forced to pay additional amounts therefor, or to take other actions ordered by the court. In addition, if the Contemplated Transaction were consummated and a court were to find that the transfer was improper, that could trigger a default under the debt that CGP LLC is raising to finance such transfers and a court could fashion a number of remedies, including declaring that the liens on the returned assets securing such financing are not valid or enforceable, or that they may be equitably subordinated or otherwise impaired. Furthermore, a court could enjoin the consummation or order rescission of the Services JV transaction. These consequences could have a material adverse effect on CGP LLC's business, financial condition, results of operations and prospects. See Item 1A. Risk Factors — Risks Related to Caesars Growth Partners, LLC's Business — We are or may become involved in legal proceedings that, if adversely adjudicated or settled, could impact our financial condition .

Note 7 — Supplemental Cash Flow Information

Significant non-cash transactions in the first quarter of 2014 include \$9.3 million in income from our equity method investment in CGP LLC (see Note 3 — Equity Method Investment in Caesars Growth Partners, LLC).

There was no interest expense incurred or cash paid for interest during the period presented.

CAC's expenses incurred in the normal course of business are expected to be paid by CGP LLC on behalf of CAC. In the first quarter of 2014, CGP LLC paid \$0.4 million in transaction expenses on behalf of CAC which was accounted for as a distribution from CGP LLC to CAC.

Note 8 — Related Party Transactions

Management Services Agreement with CEOC

In October 2013, CAC entered into a management services agreement with CEOC and CGP LLC (the "CGP Management Services Agreement") pursuant to which CEOC and its subsidiaries provide certain services. The agreement, among other things:

- provides that CEOC and its subsidiaries provide (a) certain corporate services and back office support, including payroll, accounting, risk management, tax, finance, recordkeeping, financial statement preparation and audit support, legal, treasury functions, regulatory compliance, insurance, information systems, office space and corporate, and other centralized services and (b) certain advisory and business management services, including developing business strategies, executing financing transactions and structuring acquisitions and joint ventures;
- allows the parties to modify the terms and conditions of CEOC's performance of any of the services and to request additional services from time to time; and
- provides for payment of a service fee to CEOC in exchange for the provision of services, plus a margin of 10% .

At March 31, 2014 , we had payables of \$2.4 million due to CEOC, and we recognized expenses of \$0.5 million during the quarter ended March 31, 2014, related to the services provided in connection with CGP Management Services Agreement.

Note 9 — Subsequent Events

Because subsequent events related to our equity method investee could be impactful to our financial performance, we have elected to include significant subsequent events of CGP LLC herein.

Asset Purchase Transaction Agreement

On March 1, 2014, CAC entered into a Transaction Agreement (the "Agreement") by and among, Caesars Entertainment, CEOC, Caesars License Company, LLC ("CLC"), Harrah's New Orleans Management Company ("HNOMC"), Corner Investment Company, LLC ("CIC"), 3535 LV Corp. ("3535 LV"), Parball Corporation ("Parball"), JCC Holding Company II, LLC ("JCC Holding"), CAC and CGP LLC. The Agreement was fully negotiated by and between a Special Committee of CEC's Board of Directors (the "CEC Special Committee") and a Special Committee of CAC's Board of Directors (the "CAC Special Committee"), each comprised solely of independent directors, and was recommended by both committees and approved by the Boards of Directors of CEC and CAC. The CEC Special Committee, the CAC Special Committee and the Boards of Directors of CEC and CAC each received fairness opinions from firms with experience in valuation matters, which stated that, based upon and subject to (and in reliance on) the assumptions made, matters considered and limits of such review, in each case as set forth in the opinions, the Purchase Price (as defined below) was fair from a financial point of view to CEC and CGP LLC, respectively.

Pursuant to the terms of the Agreement, CGP LLC (or one or more of its designated direct or indirect subsidiaries) agreed to acquire from CEOC or one or more of its affiliates, (i) The Cromwell (f/k/a Bill's Gamblin' Hall & Saloon), The Quad, Bally's Las Vegas and Harrah's New Orleans (each a "Property" and collectively, the "Properties"), (ii) 50% of the ongoing management fees and any termination fees payable under the Property Management Agreements to be entered between a Property Manager (as defined below) and the owners of each of the Properties (the "Property Management Agreements"); and (iii) certain intellectual property that is specific to each of the Properties (together with the transactions described in (i) and (ii) above, the "Asset Purchase Transaction") for an aggregate purchase price of \$2.0 billion (the "Purchase Price"), less outstanding debt to be assumed in the Asset Purchase Transaction, and also subject to various pre-closing and post-closing adjustments in accordance with the terms of the Agreement.

On May 5, 2014, CAC and CGP LLC entered into that certain First Amendment to Transaction Agreement (the "Amendment") by and among Caesars Entertainment Corporation, CEOC, CLC, HNOMC, CIC, 3535 LV, Parball and JCC Holding pursuant to which the parties to such agreement amended the Agreement (the Agreement, as so amended by the Amendment, the "Amended Agreement").

On May 5, 2014, pursuant to the Amended Agreement, CGP LLC acquired The Cromwell, The Quad, and Bally's Las Vegas (together, the "Acquired Properties") and CGP LLC is expected acquire Harrah's New Orleans, subsequent to the required regulatory approval.

Pursuant to the terms of the Amended Agreement, the parties have agreed to use reasonable best efforts to establish a new services joint venture (the "Services JV") which will be jointly owned by CEOC, CERP, and Caesars Growth Properties Holdings, LLC ("CGPH"), a wholly-owned subsidiary of CGP LLC and certain of their respective subsidiaries. The purpose of the Services JV includes the common management of the enterprise-wide intellectual property, which will be licensed by the Services JV to, among other parties, each of the Property Owners, and shared services operations across the portfolio of CEOC, CERP and CGP LLC properties.

The foregoing description of the Agreement and the Amendment is only a summary, does not purport to be complete and is qualified in its entirety by reference to the full text of the Agreement and the Amendment which were filed with the Securities and Exchange Commission ("SEC") on March 3, 2014 as an Exhibit to Form 8-K and May 6, 2014 as an Exhibit to Form 8-K, respectively.

Caesars Growth Properties Term Facility

The purchase price of CGP LLC's acquisition of The Cromwell, The Quad Resort & Casino, Bally's Las Vegas, 50% of the ongoing management fees and any termination fees payable for each of these properties, and certain intellectual property that is specific to each of these properties (collectively referred to as the "First Closing") was funded by CGP LLC with cash on hand and the proceeds of \$700.0 million of term loans (the "First Closing Term Loan"). CGPH closed on the First Closing Term Loan on May 5, 2014. The First Closing Term Loan matures on May 5, 2015; provided that CGPH has the option to extend, for a fee equal to 1.00% of the aggregate principal amount of the First Closing Term Loan outstanding on the initial maturity date, for one additional year. The First Closing Term Loan requires scheduled quarterly payments in amounts equal to 0.25% of the original aggregate principal amount of the First Closing Term Loan, with the balance due at maturity. In addition, the First Closing Term Loan is expected to be repaid in full upon the acquisition by CGP LLC of the Harrah's New Orleans Hotel and Casino, the contribution of the Planet Hollywood Resort and Casino and the release of certain indebtedness required to fund such acquisition from escrow. The Credit Agreement allows CGPH to request one or more incremental term loan and revolving credit facilities in an aggregate amount of up \$150.0 million , subject to certain conditions and receipt of commitments by existing or additional financial institutions or institutional lenders.

Caesars Growth Properties Indenture

CGPH and Caesars Growth Properties Finance, Inc. (together, the "Issuers"), issued \$675.0 million aggregate principal amount of their 9.375% second-priority senior secured notes due 2022 (the "2022 Notes") pursuant to an indenture dated as of April 17, 2014, among the Issuers and U.S. Bank National Association, as trustee (the "Indenture"). The Issuers deposited the gross proceeds of the offering of the 2022 Notes, together with additional amounts necessary to redeem the 2022 Notes, if applicable, into a segregated escrow account until the date that certain escrow conditions are satisfied (the "Escrow Release Date"). The Indenture provides that, among other things, prior to the Escrow Release Date, the Issuers will not own, hold or otherwise have any interest in any assets other than the escrow account and cash or cash equivalents (the "Pre-Escrow Release Covenant"). In connection with the First Closing, the Issuers are currently not in compliance with the Pre-Escrow Release Covenant. The Issuers intend to be in compliance with the Indenture prior to such default becoming an event of default under the Indenture by either consummating the Second Closing (acquisition of Harrah's New Orleans (the "Louisiana Property"), 50% of the ongoing management fees and any termination fees payable for the Louisiana Property, and certain intellectual property that is specific to the Louisiana Property) and releasing the gross proceeds of the notes from escrow or, following receipt of gaming and other required governmental approvals, transferring the assets related to the First Closing to another entity. There can be no assurances, however, that the Issuers will be successful in consummating the Second Closing or transferring such assets, and curing such default.

Caesars Growth Properties Term Loan

On May 8, 2014, Caesars Growth Properties Holdings, LLC (the "Borrower") closed on the \$1.175 billion of term loans (the "Term Loan") pursuant to a First Lien Credit Agreement among Caesars Growth Properties Parent, LLC ("Parent"), the Borrower, the lenders party thereto, Credit Suisse AG, Cayman Islands Branch, as Administrative Agent (the "Administrative Agent"), and Credit Suisse Securities (USA) LLC, Citigroup Global Markets Inc., Deutsche Bank Securities Inc., UBS Securities LLC, J.P Morgan Securities LLC, Morgan Stanley & Co. LLC, Macquarie Capital (USA) Inc. and Nomura Securities International, Inc., as Co-Lead Arrangers and Bookrunners (the "Credit Agreement"). The Credit Agreement also provides for a \$150.0 million revolving credit agreement (the "Revolving Credit Facility"), which was undrawn at the closing of the Term Loan. The Borrower is a subsidiary of CGP LLC, which is a joint venture between Caesars Acquisition Company and Caesars Entertainment Corporation.

Pursuant to an escrow agreement, dated as of May 8, 2014, among U.S. Bank National Association, as escrow agent and securities intermediary, the Administrative Agent and the Borrower, the Borrower deposited the gross proceeds of the Term Loan, together with additional amounts necessary to repay the Term Loan, if applicable, into a segregated escrow account until the date that certain escrow conditions are satisfied.

Full details of this transaction, including additional information on the terms of the Term Loan and Revolving Credit Facility, and the conditions upon which the funds can be released from escrow, can be obtained from the Form 8-K filed with the SEC on May 9, 2014.

CONDENSED FINANCIAL STATEMENTS OF PREDECESSOR GROWTH PARTNERS
(UNAUDITED)
EXPLANATORY NOTE

Upon the completion of the transactions described in Item 1 - Business of our Annual Report on Form 10-K for the year ended December 31, 2013, CAC's sole material asset is its interest in CGP LLC, which is accounted for using the HLBV approach to the equity method of accounting. The assets and entities that were acquired by or contributed to CGP LLC in connection with those transactions (referred to as "Predecessor Growth Partners") are considered to be the predecessor to CAC. Therefore, we have included the unaudited condensed financial statements of Predecessor Growth Partners in this quarterly report on Form 10-Q as if those businesses and assets were combined into one reporting entity for the period presented.

These unaudited combined condensed financial statements of Predecessor Growth Partners have been prepared on a stand-alone basis and, as these transactions are considered a transaction between entities under common control, have been derived from the historical accounting records and consolidated financial statements of Caesars Entertainment. The unaudited combined condensed financial statements consist of the results of operations and cash flows of the businesses and assets contributed to or acquired by CGP LLC in the transactions described previously as if those businesses were combined into a reporting entity for the period presented.

PREDECESSOR GROWTH PARTNERS
COMBINED CONDENSED STATEMENT OF OPERATIONS
(UNAUDITED)
(In millions)

	Quarter Ended March 31, 2013
Revenues	
<i>Interactive Entertainment</i>	
Social and mobile games	\$ 66.6
WSOP and online real money gaming	1.5
	<u>68.1</u>
<i>Casino Properties and Developments</i>	
Casino	44.8
Food and beverage	21.4
Rooms	23.6
Other	6.2
Less: casino promotional allowances	(13.0)
	<u>83.0</u>
Net revenues	<u>151.1</u>
Operating expenses	
<i>Interactive Entertainment - Direct</i>	
Platform fees	21.1
<i>Casino Properties and Developments - Direct</i>	
Casino	20.1
Food and beverage	10.1
Rooms	6.4
Property, general, administrative and other	54.8
Depreciation and amortization	10.4
Change in fair value of contingent consideration	52.4
Total operating expenses	<u>175.3</u>
Loss from operations	(24.2)
Interest expense, net of interest capitalized	(10.1)
Interest income - related party	40.6
Other income, net	0.2
Income before provision for income taxes	6.5
Provision for income taxes	(2.0)
Net income	4.5
Less: net loss attributable to non-controlling interests	1.8
Net income attributable to Predecessor Growth Partners	<u>\$ 6.3</u>

See accompanying Notes to Combined Condensed Financial Statements.

PREDECESSOR GROWTH PARTNERS
COMBINED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
(In millions)

	Quarter Ended March 31, 2013
Net income	\$ 4.5
Other comprehensive income, net of income taxes:	
Unrealized gain on investments in notes from related party	59.9
Total other comprehensive income	59.9
Comprehensive income	64.4
Less: net loss attributable to non-controlling interests	1.8
Comprehensive income attributable to Predecessor Growth Partners	\$ 66.2

See accompanying Notes to Combined Condensed Financial Statements.

PREDECESSOR GROWTH PARTNERS
COMBINED CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(In millions)

	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Non-controlling Interests	Total Equity
Balance at January 1, 2013	\$ 272.6	\$ 504.4	\$ 116.0	\$ 14.9	\$ 907.9
Net income/(loss)	—	6.3	—	(1.8)	4.5
Purchase of Caesars Interactive management shares	(2.7)	—	—	—	(2.7)
Stock-based compensation	0.8	—	—	—	0.8
Unrealized gain on investments in notes from related party, net of tax	—	—	59.9	—	59.9
Transactions with related parties	(16.8)	—	—	—	(16.8)
Balance at March 31, 2013	<u>\$ 253.9</u>	<u>\$ 510.7</u>	<u>\$ 175.9</u>	<u>\$ 13.1</u>	<u>\$ 953.6</u>

See accompanying Notes to Combined Condensed Financial Statements.

PREDECESSOR GROWTH PARTNERS
COMBINED CONDENSED STATEMENT OF CASH FLOWS
(UNAUDITED)
(In millions)

	Quarter Ended March 31, 2013
Cash flows provided by operating activities	
Net income	\$ 4.5
Adjustments to reconcile net income to cash flows provided by operating activities	
Depreciation and amortization	10.4
Amortization of debt discount	5.6
Change in fair value of contingent consideration	52.4
Accretion of discount on investments in notes from related party	(23.8)
Paid-in-kind interest	(0.1)
Stock-based compensation expense	2.5
Net change in deferred income taxes	(5.4)
Net change in long-term accounts	0.2
Net change in working capital accounts	(16.9)
Other non-cash items	0.1
Cash flows provided by operating activities	29.5
Cash flows used in investing activities	
Land, buildings and equipment additions, net of change in construction payables	(12.6)
Sale of short-term investments	4.7
Increase in restricted cash	(6.1)
Decrease in restricted cash	0.5
Cash flows used in investing activities	(13.5)
Cash flows used in financing activities	
Purchase of Caesars Interactive management shares	(2.7)
Payments on long-term debt to related party	(7.0)
Repayments under lending agreements	(0.9)
Transfers to parent	(16.8)
Cash flows used in financing activities	(27.4)
Net decrease in cash and cash equivalents	(11.4)
Cash and cash equivalents, beginning of period	155.6
Cash and cash equivalents, end of period	\$ 144.2

See accompanying Notes to Combined Condensed Financial Statements.

PREDECESSOR GROWTH PARTNERS
NOTES TO COMBINED CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1 — Description of Business and Summary of Significant Accounting Policies

Basis of Presentation

The unaudited combined condensed financial statements of Predecessor Growth Partners have been prepared on a stand-alone basis and, as the assets and entities that were acquired by or contributed to CGP LLC in connection with the transactions described in Item 1 - Business of our Annual Report on Form 10-K are considered transactions between entities under common control, include financial information derived from the historical accounting records and consolidated financial statements of Caesars Entertainment. The results for the interim period reflect all adjustments (consisting primarily of normal recurring adjustments) that management considers necessary for a fair presentation of the combined results of operations and cash flows.

Immaterial corrections were recorded for the period presented which impacted the Combined Condensed Statement of Operations by decreasing Net revenues by \$0.5 million , decreasing Total operating expenses by \$1.1 million , increasing Provision for income taxes by \$0.3 million and reducing Net loss attributable to non-controlling interests by \$0.3 million , resulting in no change to Net income attributable to Predecessor Growth Partners. The impact to the Combined Condensed Statement of Cash Flows was an increase in Cash flows provided by operating activities of \$0.9 million and an increase in Cash flows used in investing activities of \$0.9 million . We believe these corrections are not material to our previously issued interim Combined Condensed Financial Statements.

The results of operations for our interim period are not necessarily indicative of the results of operations that may be achieved for the entire fiscal year.

Transactions between Caesars Entertainment and Predecessor Growth Partners have been identified in the unaudited combined condensed historical financial statements and the notes thereto as transactions between related parties (see Note 12 — Related Party Transactions).

Description of Business

Predecessor Growth Partners has two reportable segments: (1) Interactive Entertainment and (2) Casino Properties and Developments. Predecessor Growth Partners' Interactive Entertainment segment consists of CIE, which is comprised of three distinct, but complementary businesses that reinforce, cross-promote and build upon each other: social and mobile games, the World Series of Poker ("WSOP") and regulated online real money gaming. Predecessor Growth Partners' Casino Properties and Developments segment consists of the Planet Hollywood Resort & Casino in Las Vegas ("Planet Hollywood") and the Caesars Baltimore Investment Company, LLC ("CBIC" or "Maryland Joint Venture"), which is the entity that indirectly holds interests in the Horseshoe Baltimore.

Interactive Entertainment

In May 2009, Caesars Interactive was formed by Caesars Entertainment who owned approximately 119,047 shares of Caesars Interactive's common stock, representing approximately 89.2% of the then-outstanding shares of Caesars Interactive. The remainder of the outstanding common stock of Caesars Interactive is owned by Rock Gaming LLC ("Rock") and members of the Caesars Interactive current and former management team.

Caesars Interactive is a social and mobile games and online real money gaming provider and owner of the WSOP brand. In early 2010, Caesars Interactive licensed the WSOP and Caesars brands for use on branded poker, bingo and casino online sites in the United Kingdom. As part of its online strategy, Caesars Interactive will expand its online real money gaming offerings in the United States (the "U.S.") as it becomes legal and regulated, and will offer social and mobile casino-themed game options in those and other jurisdictions. In addition, Caesars Interactive licenses live WSOP tournaments in both the U.S. and international locations.

Casino Properties and Developments

On February 19, 2010, Caesars Entertainment acquired 100% of the equity interests of PHW Las Vegas, LLC, which owned the Planet Hollywood Resort & Casino ("Planet Hollywood"), an entertainment facility located in Las Vegas, Nevada, comprised of one casino, a hotel, multiple restaurants and retail outlets.

In July 2012, a consortium led by Caesars Entertainment was awarded the license to operate a casino in downtown Baltimore. In October 2012, Caesars Entertainment entered into definitive agreements with its partners to form a joint venture that will build and own the Horseshoe Baltimore casino.

Use of Estimates

Predecessor Growth Partners' unaudited combined condensed financial statements are prepared in accordance with GAAP, which requires management to make estimates and assumptions that affect the reported amounts in the unaudited combined condensed financial statements and notes thereto. Significant estimates and assumptions impacting the Predecessor Growth Partners' unaudited combined condensed financial statements include, but are not limited to, the estimated consumption rate of virtual goods that it uses for revenue recognition within the Interactive Entertainment segment, useful lives of property, equipment and amortizing intangible assets, income taxes, accounting for stock-based compensation, the valuation of contingent consideration and the evaluation of goodwill and long-lived assets for impairment. Management believes the accounting estimates are appropriate and reasonably determined. However, due to the inherent uncertainties in making these estimates, actual amounts could differ from such estimates.

Note 2 — Recently Issued Accounting Pronouncements

Predecessor Growth Partners has assessed recently issued guidance and has determined there are no recently issued accounting pronouncements that will have a material impact on their results of operations or cash flows.

Note 3 — Depreciation and Amortization

Depreciation expense for property and equipment is reflected in Depreciation and amortization in the Combined Condensed Statement of Operations. For the three months ended March 31, 2013 , the aggregate depreciation expense was \$6.8 million .

The aggregate amortization expense for those intangible assets that are amortized is reflected in Depreciation and amortization in the Combined Condensed of Operations. For the three months ended March 31, 2013 there was \$3.6 million of amortization expense.

No impairment charges were recorded for goodwill and other non-amortizing intangible assets for the three months ended March 31, 2013 .

Note 4 — Equity and Non-Controlling Interests

Additional paid-in capital and Retained earnings

Additional paid-in capital and Retained earnings represent the cumulative net investment by Caesars Entertainment in Predecessor Growth Partners, including any prior net income or loss or other comprehensive income or loss attributed to Predecessor Growth Partners and contributions received from or distributions made to Caesars Entertainment. Current domestic income tax liabilities were deemed to be remitted in cash to Caesars Entertainment in the period the related income tax expense was recorded. Certain transactions between Predecessor Growth Partners and other related parties that are wholly-owned subsidiaries of Caesars Entertainment, including allocated expenses and settlement of intercompany transactions, were also included in Additional paid-in capital.

Cash received as interest on investments in notes from related party was transferred back to Caesars Entertainment. Such transfers were recorded as equity transactions, net of associated tax, and included as a component of Additional paid-in capital. Predecessor Growth Partners treated these net distributions to Caesars Entertainment as financing transactions in its statement of cash flows.

Non-controlling interest

The following is a summary of Predecessor Growth Partners' net loss attributable to non-controlling interests for the three months ended March 31, 2013 :

<u>(In millions)</u>	<u>Quarter Ended March 31, 2013</u>	
Net loss attributable to redeemable non-controlling interests ⁽¹⁾	\$	—
Net loss attributable to non-controlling interests	\$	(1.8)
<i>As presented on the Combined Statement of Operations</i>		
Net loss attributable to non-controlling interests	<u>\$</u>	<u>(1.8)</u>

⁽¹⁾ As of March 31, 2013, STRON-MD Limited Partnership holds 4.8% of the Maryland Joint Venture. Their non-controlling interest contains an embedded put feature that may cause us, at any time, to purchase all of STRON-MD Limited Partnership's interest in Maryland Joint Venture either at cost prior to the commencement of the planned casino's operations, or at fair market value after the commencement of operations.

Accumulated other comprehensive income

Accumulated other comprehensive income consists of unrealized gain on investments in notes from related party, net of taxes. For the three months ended March 31, 2013 , there were no amounts reclassified out of Accumulated other comprehensive income.

Note 5 — Income Taxes

Total income taxes were allocated as follows:

<u>(In millions)</u>	<u>Quarter Ended March 31, 2013</u>	
Income tax provision on income before income taxes	\$	2.0
Accumulated other comprehensive income		32.3

The effective tax rate for the quarter ended March 31, 2013 was 30.8% . The primary cause for the difference from the federal statutory rate of 35% is due to tax benefits from foreign earnings taxed at lower rates and from a favorable tax ruling in Israel received in February 2013, partially offset by an increase in the federal valuation allowance and tax cost of nondeductible stock based compensation and lobbying costs.

We have no uncertain tax positions as of March 31, 2013. The tax years that remain open for examination for the Company's major jurisdictions are 2010 through 2013 for the U.S. and Canada and 2011 and 2013 for Israel.

Note 6 — Litigation, Contractual Commitments and Contingent Liabilities

Litigation

From time to time, CAC, Predecessor Growth Partners, or CGP LLC may be subject to legal proceedings and claims in the ordinary course of business.

Multiple lawsuits have been filed against CBAC, the City of Baltimore, the MDE, and other parties in relation to the proposed location and the development of Horseshoe Baltimore. These cases allege violations of various environmental laws, violations of zoning laws and public nuisance, among other claims. Although CAC, Predecessor Growth Partners, and CGP LLC believe that they have adequate defenses to these claims, an adverse judgment could result in additional costs, delays in construction, or injunctions.

In November 2012, the MDE granted approval of the Maryland Joint Venture's amended RAP under MDE's Voluntary Cleanup Program that named the Maryland Joint Venture, rather than the City of Baltimore, as the party that will implement the RAP and redevelop the proposed location of Horseshoe Baltimore. On February 20, 2013, a group of local residents working with the non-profit Foundation filed a complaint in the Maryland Circuit Court challenging the legality of the MDE's approval of the amended RAP. In the case, known as Ruth Sherrill, et al. v. State of Maryland Department of the Environment, et al., the Plaintiffs claimed that the amended RAP was approved without complying with the public notice and participation requirements of Maryland law. The plaintiffs sought additional public notice and participation, and to obtain an injunction on, among other things, any construction activities at the site pending the resolution of the case. On March 14, 2013, the court denied the plaintiffs' motion for a TRO. The plaintiffs' appeal of the TRO ruling was dismissed. On April 22, 2013, the plaintiffs filed an

amended complaint adding a public nuisance claim to their original complaint. The Maryland Joint Venture filed a motion to dismiss the plaintiffs' amended complaint and a hearing was held on the motion on June 14, 2013. The amended complaint was dismissed on November 6, 2013. The plaintiffs filed a notice of appeal on December 6, 2013 and oral arguments are scheduled for September 2014.

The plaintiffs issued a notice of intent to file a citizen suit under 42 U.S.C. §§ 6972(a)(1)(A) and (a)(1)(B) of the Resource Conservation and Recovery Act. This notice of intent indicated an intention to sue CBAC, the City of Baltimore, Whiting-Turner, the general contractor for the construction of the Horseshoe Baltimore, and the Maryland Chemical Company, the former owner and operator of the site. The citizen suit was filed on September 19, 2013, but did not name Whiting-Turner. The defendants filed motions to dismiss on October 15, 2013 for lack of subject matter jurisdiction and failure to state a claim to which plaintiffs responded on November 1, 2013. No hearing has been set on the motions to dismiss.

The decision of the Board of Municipal Zoning Appeals to grant variances for the site for Horseshoe Baltimore was appealed by separate parties on the basis of alleged procedural irregularities. The appeals were dismissed for lack of standing on October 11, 2013 and no appeal of that decision was timely filed.

On August 1, 2013, ten individuals claiming to represent a class of similarly situated individuals filed a complaint in the U.S. District Court for the Northern District of Maryland against the Maryland Department of the Environment, the City of Baltimore, the U.S. Environmental Protection Agency, CBAC Gaming, LLC, Whiting-Turner Contracting Company, and Urban Green Environmental, LLC. The 11 count complaint alleged that the RAP for the proposed location of Horseshoe Baltimore is inadequate and approved without appropriate public participation. Plaintiffs seek declaratory and injunctive relief, compensatory and punitive damages, and claim violations of civil rights laws and the Clean Water Act, civil conspiracy, and a variety of torts. The plaintiffs also sought a temporary restraining order, which the District Court denied on August 9, 2013. Plaintiffs amended their complaint on November 15, 2013 and again on December 26, 2013, adding 44 new plaintiffs and naming MDE, the Secretary of MDE, the City of Baltimore, the Mayor of the City of Baltimore, the Baltimore Development Corporation, and CBAC and CBAC Borrower as defendants. The defendants filed motions to dismiss on January 27, 2014 and plaintiffs filed their oppositions on February 28, 2014.

From time to time, the City of Baltimore may be subject to legal proceedings asserting claims related to the site. At this time, CAC, Predecessor Growth Partners, and CGP LLC have not been named as parties to these proceedings. However, an unfavorable outcome for the City of Baltimore could lead to construction delays if it were determined that corrective action was required and could not be implemented successfully offsite.

Four residents of Baltimore City and County issued a notice of intent to file a citizen suit under 33 U.S.C. § 1365(b) of the Clean Water Act against the City of Baltimore as owner of the site for water pollution alleged to originate there. A lawsuit was filed on behalf of two of the residents on July 2, 2013. The City of Baltimore moved to dismiss the complaint on August 28, 2013. One of the plaintiffs withdrew from the case on October 10, 2013. The U.S. District Court for the District of Maryland dismissed the case without prejudice on January 7, 2014 for lack of standing.

Two residents of Baltimore City filed suit on May 20, 2013 against the City of Baltimore, as owner of the site, alleging that the City of Baltimore was in violation of Maryland water pollution laws as a result of groundwater contamination alleged to be migrating from the site. The City of Baltimore was served with the complaint on June 12, 2013. An amended complaint was filed on July 19, 2013, which the City of Baltimore moved to dismiss on August 6, 2013. Plaintiffs dismissed the complaint without prejudice on September 12, 2013.

Planet Hollywood Self-Insurance

Planet Hollywood was self-insured by Caesars Entertainment and its subsidiaries up to certain limits for costs associated with general liability, workers' compensation, and employee health coverage through June 2013. See Note 12 — Related Party Transactions for additional information.

Planet Hollywood Participation and Servicing Agreement

In 2009, the predecessor of Planet Hollywood entered into an agreement to purchase a participation interest in certain mortgaged properties. Under the terms of this agreement, Planet Hollywood is required to pay the counterparty \$5.6 million at the earlier of October 5, 2015, or on March 31 subsequent to the first year that such mortgaged properties generate a positive net cash flow in excess of a pre-determined minimum amount. The mortgaged properties have not and were not expected to generate a positive net cash flow in excess of this pre-determined minimum amount within the next calendar year.

Contingent Consideration

Acquisition of Buffalo Studios LLC

In December 2012, Caesars Interactive purchased substantially all of the assets of Buffalo Studios LLC ("Buffalo"). Aggregate consideration was \$50.8 million, including the Predecessor Growth Partner's preliminary estimate of \$5.6 million in

contingent consideration. In the first quarter of 2013, Predecessor Growth Partners recorded a fair value adjustment of \$52.4 million related to contingent consideration for this acquisition.

Note 7 — Leases

Predecessor Growth Partners leases both real estate and equipment used in its operations and classifies those leases as either operating or capital leases for accounting purposes. As of March 31, 2013, Predecessor Growth Partners had no material capital leases and the remaining lives of its operating leases ranged from one to 84 years with various automatic extensions.

Rental expense associated with operating leases is charged to expense in the year incurred. Rental expense for operating leases and other month-to-month cancellable leases are included in Operating expenses in the Condensed Combined Statement of Operations and amounted to \$3.3 million for the three months ended March 31, 2013.

Note 8 — Supplemental Cash Flow Information

The increase/(decrease) in cash and cash equivalents due to the changes in working capital accounts were as follows:

<u>(In millions)</u>	<u>Quarter Ended March 31, 2013</u>
Interest receivable from related party	\$ (16.8)
Receivables	(5.3)
Foreign tax payable	(4.5)
Prepayments and other current assets	1.3
Accounts payable	1.5
Payable to related parties	5.4
Accrued expenses	1.5
Net change in working capital accounts	\$ (16.9)

The following table reconciles Interest expense, net of interest capitalized, per the Combined Condensed Statement of Operations, to cash paid for interest:

<u>(In millions)</u>	<u>Quarter Ended March 31, 2013</u>
Interest expense, net of interest capitalized	\$ 10.1
Adjustments to reconcile to cash paid for interest:	
Net change in accruals	0.4
Net amortization of debt discounts	(5.6)
Cash paid for interest	\$ 4.9
Cash payments for income taxes, net	\$ 4.2

Note 9 — Stock-Based Compensation and Employee Benefit Plans

A number of employee benefit programs are established for purposes of attracting, retaining, and motivating employees. The following is a description of the basic components of these programs.

Stock-Based Compensation Plans

Caesars Entertainment grants stock-based compensation awards in Caesars Entertainment common stock to certain employees that work for the management companies of Planet Hollywood and Horseshoe Baltimore under the Caesars 2012 Performance Incentive Plan. Caesars Entertainment did not allocate any expense associated with Planet Hollywood executive's stock-based awards for the three months ended March 31, 2013 as it was not considered material to the combined condensed financial statements.

Caesars Interactive grants stock-based compensation awards in Caesars Interactive common stock to its employees and service providers in accordance with the Caesars Interactive Entertainment, Inc. Amended and Restated Management Equity Incentive Plan (the "Plan") which is intended to promote the interests of Caesars Interactive and its shareholders by providing

key employees, directors, service providers and consultants with an incentive to encourage their continued employment or service and improve the growth and profitability of Caesars Interactive.

The following is a description of the components of these programs under the Plan:

Stock options and warrants

Time-based stock options have been granted to Caesars Interactive employees and non-employees, and time-based warrants have been granted to non-employees. Historically, both the options and warrants were generally subject to a five -year vesting period; vesting 20% per year on each anniversary of its effective date, until 100% of the options or warrants are fully vested and exercisable. Vesting is subject to the participant's continued employment or service for non-employees, through the applicable vesting date.

Certain Caesars Interactive employees have been granted Caesars Interactive stock options, and one service provider has been granted a warrant to purchase common stock of Caesars Entertainment, with vesting conditions associated with the legalization and implementation of online gaming in the U.S. These stock options and warrants vest based on conditions other than market, performance or service conditions and therefore have been recorded as liability-classified instruments and are remeasured at their estimated fair value at each reporting date for accounting purposes. Predecessor Growth Partners is recognizing the stock compensation expense associated with these awards over the 10 year contractual life of each of the awards.

All warrants to Caesars Interactive non-employees and the majority of the stock options to employees and non-employees contain a call option, at a fixed amount, which is exercisable by Caesars Interactive. Since the embedded call feature is at a fixed price, the call feature could potentially result in a repurchase amount that is less than the fair value of the underlying shares. Therefore, these options and warrants are liability-classified instruments and are remeasured at fair value at each reporting date for accounting purposes. Options without this call provision are equity-classified instruments and are measured at their fair value at the date of grant for accounting purposes. All unexercised options and warrants expire on the tenth anniversary of the grant date.

As of both March 31, 2013 and January 1, 2013, Caesars Interactive had 4,484 shares available for awards under the Plan. The following is a summary of Caesars Interactive's stock option and warrant activity for the quarter ended March 31, 2013:

	Shares	Weighted Average Exercise Price	Fair Value ⁽¹⁾	Weighted Average Remaining Contractual Term (years)
Outstanding at January 1, 2013	12,916	\$ 1,999.71	\$ 386.18	7.2
Outstanding at March 31, 2013 ⁽²⁾	12,916	\$ 1,999.71	\$ 386.18	6.9
Vested and expected to vest at March 31, 2013	11,448	\$ 1,999.71	\$ 381.75	6.9
Exercisable at March 31, 2013	6,514	\$ 1,671.75	\$ 127.45	6.9

⁽¹⁾Represents the weighted-average grant date fair value per option, using a Monte Carlo simulation model

⁽²⁾No stock options and warrants were granted or canceled for the three months ended March 31, 2013

When information is available, Caesars Interactive uses historical stock option and warrant holder behavioral data to estimate the option or warrant exercise and termination rates used in the option-pricing model. As CIE does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term, it was calculated through the Monte Carlo model assuming that the options and warrants will be disposed of either post-vesting but prior to a liquidity event, at the date of a liquidity event or after a liquidity event. Expected volatility was based on the historical volatility of the common stock of CIE's competitor peer group for a period approximating the expected life. Caesars Interactive has no current intention to pay dividends on its common stock. The risk-free interest rate within the expected term was based on the U.S. Treasury yield curve in effect at the time of grant. Valuation assumptions for Caesars Interactive's stock options and warrants for the quarter ended March 31, 2013 are presented below:

Expected range of volatility	55.5 - 61.3%
Expected dividend yield	—%
Expected range of term (in years)	3.9 - 6.8
Risk-free interest rate range	0.6 - 1.2%

For the three months ended March 31, 2013 the compensation cost that has been charged against earnings for stock options and warrants was approximately \$1.8 million which was included in Property, general, administrative and other in the Combined Condensed Statement of Operations.

Restricted Shares and Restricted Stock Units

Certain key employees of a subsidiary of Caesars Interactive have been granted restricted shares, which vest on the third anniversary of grant as long as the employee remains employed through this anniversary date. Prior to July 25, 2012, certain of the restricted shares contained a call option, at a fixed amount, which was exercisable by Caesars Interactive. Therefore, these restricted shares were liability-classified instruments and were measured at fair value at each reporting date for accounting purposes. This call option was removed from the restricted shares on July 25, 2012 at which time the shares were reclassified to equity classified awards. There was no incremental cost associated with this modification as the modification did not alter the fair value of the underlying award. The liability recognized in the Combined Condensed Balance Sheet was reclassified to Additional paid-in capital on the modification date. Restricted shares without this call provision are equity-classified instruments and are measured at their fair value at the date of grant for accounting purposes.

For the three months ended March 31, 2013 total compensation expense that was recorded in earnings for restricted shares was approximately \$0.7 million. This expense is included in Property, general, administrative and other in the Combined Condensed Statement of Operations.

Management Shares

In October 2011, certain key CIE employees purchased common stock of Caesars Interactive Entertainment ("Management Shares"). Management Shares are equity-classified instruments for accounting purposes.

In January 2013, CIE offered to purchase a portion of the Management Shares owned by certain members of CIE management at a price of \$5,221 per share. Aggregate consideration paid by Caesars Interactive for all shares purchased in the transaction amounted to \$2.7 million.

Valuation of Caesars Interactive Common Stock

Caesars Interactive determines the value of its common stock in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation (the "Practice Aid"). The valuations of CIE's common stock were performed retrospectively by an internal valuation specialist for valuation dates of March 31, 2012 and earlier. The valuations of CIE's common stock were performed contemporaneously by this same internal valuation specialist for the valuation dates between March 31, 2012 and June 30, 2012. Valuations subsequent to June 30, 2012 were determined with the assistance of a third-party valuation firm.

In performing these valuations, the valuation specialists considered the appropriate valuation methodology to use based on the stage of development of CIE at each valuation date, in accordance with the Practice Aid. The valuation specialists considered a number of significant valuation events including, but not limited to, voluntary redemptions of shares by management shareholders electing to redeem such shares, exercises of options by third-party investors to purchase shares of common stock, recent initial public offerings in the social and mobile gaming segment, independent third-party valuations of the WSOP trade name and exclusive rights to host the WSOP tournaments, and recent acquisitions.

Employee Benefits Plans

Caesars Entertainment maintains a defined contribution savings and retirement plan in which employees of both CIE and the management companies of Planet Hollywood and Horseshoe Baltimore may participate. The plan, among other things, provides for pretax and after-tax contributions by employees. Under the plan, participating employees may elect to contribute up to 50% of their eligible earnings, provided that participants who are designated as highly compensated will have their contributions limited to ensure the plan does not discriminate in their favor. In April 2012, Caesars Entertainment reinstated a limited employer match. Predecessor Growth Partners' reimbursement for Caesars Entertainment's contribution expense for the three months ended March 31, 2013 was not considered material to the combined financial statements.

Caesars Entertainment also maintains deferred compensation plans, stock-option plans, and an executive supplemental savings plan under which certain employees of the management companies of Planet Hollywood and Horseshoe Baltimore may defer a portion of their compensation. The expenses charged by Caesars Entertainment for employees' participation in these programs are included in Property, general, administrative and other in the Combined Condensed Statement of Operations.

Certain employees of Caesars Entertainment are covered by union sponsored, collectively bargained, health and welfare multiemployer benefit plans. Caesars Entertainment allocates a portion of the costs associated with these plans to Planet Hollywood. Planet Hollywood's reimbursement for Caesars Entertainment's contributions and charges for these plans was \$2.2 million for the three months ended March 31, 2013. These expenses are included in Property, general, administrative and other in the Combined Condensed Statement of Operations.

Note 10 — Property, General, Administrative and Other

Property, general, administrative and other expense consisted of the following:

<u>(In millions)</u>	<u>Quarter Ended March 31, 2013</u>
Advertising	\$ 10.8
Research and development	8.3
Payroll costs	8.2
Management fee	4.5
License, franchise tax and other	3.4
Stock-based compensation	2.5
Corporate allocations	2.5
Rental expense	2.4
Utilities	1.9
Other	10.3
Total Property, General, Administrative and Other	\$ 54.8

Note 11 — Segments

For financial reporting purposes, Predecessor Growth Partners has two reportable segments: (1) Interactive Entertainment; and (2) Casino Properties and Developments. The Interactive Entertainment segment consists of social and mobile games that are played on various global social and mobile third-party platforms, licensing of the WSOP trade name to third parties for use in social and mobile games and online real money gaming, and the licensing of the WSOP trade name, television rights and sponsorship for WSOP live tournaments. The Interactive Entertainment segment also includes use of the WSOP and Caesars brands for regulated online real money gaming. The Casino Properties and Developments segment consists of Predecessor Growth Partners' interests in a joint venture in a gaming facility in Baltimore, Maryland, and the Planet Hollywood business, which consists of hotel, related food, beverage, entertainment, and parking amenities as well as gaming facility operations. Amounts not aggregated with either the Interactive Entertainment reportable segment or the Casino Properties and Development segment relate to the Investments in notes from related party and related tax impacts, and are reported separately in the Other column in the table below.

Revenue attributed to the reportable segments is as follows:

<u>(In millions)</u>	<u>Quarter Ended March 31, 2013</u>
<i>Interactive Entertainment</i>	
Social and mobile games	\$ 66.6
WSOP and online real money gaming	1.5
	68.1
<i>Casino Properties and Developments</i>	
Casino	44.8
Food and beverage	21.4
Rooms	23.6
Other	6.2
Less: casino promotional allowances	(13.0)
	83.0
Net revenues	\$ 151.1

The following Segment EBITDA information is presented based on the reporting segments:

<u>(In millions)</u>	Quarter Ended March 31, 2013			
	Interactive Entertainment	Casino Properties and Developments	Other	Total
(Loss)/income from operations	\$ (37.9)	\$ 13.7	\$ —	\$ (24.2)
Depreciation and amortization	3.9	6.5	—	10.4
Other income/(expense), net	0.1	0.1	—	0.2
Segment EBITDA	(33.9)	20.3	—	(13.6)
Depreciation and amortization	(3.9)	(6.5)	—	(10.4)
Interest expense, net of interest capitalized	(0.6)	(9.5)	—	(10.1)
Interest income-related party	—	—	40.6	40.6
Benefit from/(provision for) income taxes	14.0	(1.8)	(14.2)	(2.0)
Net (loss)/income	\$ (24.4)	\$ 2.5	\$ 26.4	\$ 4.5

The following geographical segment information is presented based on the geographical region of each subsidiary's country of domicile:

<u>(In millions)</u>	Quarter Ended March 31, 2013	
Revenues		
United States	\$ 100.1	
Israel	51.0	
Net revenues	\$ 151.1	

Note 12 — Related Party Transactions

WSOP Trade Name

In 2009, Caesars Interactive acquired the WSOP trademarks and associated rights from CEOC for \$15.0 million . At the same time, Caesars Interactive entered into a Trademark License Agreement with CEOC, pursuant to which CEOC acquired an exclusive, perpetual, royalty-free license to use the WSOP trademarks in connection with hosting the WSOP tournaments, operating WSOP branded poker rooms and selling certain WSOP branded retail items. This agreement remains in effect indefinitely, unless earlier terminated pursuant to the agreement's terms.

In 2011, Caesars Interactive entered into a series of transactions pursuant to which Caesars Interactive effectively repurchased the exclusive rights to host the WSOP tournaments from CEOC for \$20.5 million . The 2009 Trademark License Agreement remains in effect with respect to WSOP branded poker rooms and retail items, but the rights to host WSOP tournaments are owned by Caesars Interactive. As part of the 2011 transactions, Caesars Interactive entered into a Trademark License Agreement with CEOC pursuant to which Caesars Interactive granted CEOC the right to host the WSOP tournaments at the Rio Hotel in Las Vegas or at such other property agreed to by the parties, in exchange for a \$2.0 million per year fee. Simultaneously, Caesars Interactive entered into a Circuit Event Agreement with CEOC pursuant to which Caesars Interactive granted CEOC the right to host a certain number of WSOP circuit events at various properties of CEOC for a price of \$75,000 per event. Both agreements are in effect until September 1, 2016, unless earlier terminated pursuant to the agreements' respective terms. Revenues under this agreement associated with the WSOP circuit events amounted to \$0.2 million for the three months ended March 31, 2013 .

Cross Marketing and Trademark License Agreement

In 2011, Caesars Interactive entered into a Cross Marketing and Trademark License Agreement with Caesars World, Inc., Caesars License Company, LLC, Caesars Entertainment and CEOC. In addition to granting Caesars Interactive the exclusive rights to use various brands of Caesars Entertainment in connection with social and mobile games and online real money gaming in exchange for a 3% royalty, this agreement also provides that CEOC will provide certain marketing and promotional activities for Caesars Interactive, including participation in Caesars Entertainment's Total Rewards loyalty program, and Caesars Interactive will provide certain marketing and promotional activities for Caesars Entertainment and CEOC. The agreement also provides for certain revenue share arrangements where Caesars Interactive pays CEOC for customer referrals. This agreement is in effect until December 31, 2026, unless earlier terminated pursuant to the agreement's terms. For the three months ended March 31, 2013 , Caesars Interactive paid \$0.2 million pursuant to the terms of the Cross Marketing and Trademark License Agreement.

Allocated general corporate expenses

The Combined Condensed Statement of Operations reflects an allocation of both expenses incurred in connection with shared services agreements and directly billed expenses incurred through Caesars Entertainment and CEOC. General corporate expenses have been allocated based on a percentage of revenue, or on another basis (such as headcount), depending upon the nature of the general corporate expense being allocated. For the three months ended March 31, 2013 Predecessor Growth Partners recorded allocated general corporate expenses and directly billed expenses totaling \$6.0 million .

The accompanying Combined Condensed Statement of Operations also includes allocations of certain Caesars Entertainment general corporate expenses in accordance with shared services agreements under which Caesars Entertainment and its subsidiaries provide services to both Caesars Interactive and Planet Hollywood. These allocations of general corporate expenses may not reflect the expense Predecessor Growth Partners would have incurred if it were a stand-alone company nor are they necessarily indicative of Predecessor Growth Partners' future costs. Management believes the assumptions and methodologies used in the allocation of general corporate expenses from Caesars Entertainment and CEOC are reasonable. Given the nature of these costs, it is not practicable for Predecessor Growth Partners to estimate what these costs would have been on a stand-alone basis.

Planet Hollywood Self-Insurance

Planet Hollywood was self-insured by Caesars Entertainment and its subsidiaries up to certain limits for costs associated with general liability, workers' compensation, and employee health coverage through June 2013. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims. In estimating these reserves, historical loss experience and judgments about the expected levels of costs per claim are considered. These claims are accounted for based on actuarial estimates of the undiscounted claims, including those claims incurred but not reported. Planet Hollywood believes the use of actuarial methods to account for these liabilities provides a consistent and effective way to measure these highly judgmental accruals. Predecessor Growth Partners regularly monitored the potential for changes in estimates, evaluated its insurance accruals, and adjusted its recorded provisions.

Management Fees

PHW Manager, LLC ("PHW Manager"), a wholly-owned subsidiary of CEOC, manages the operations of the Planet Hollywood. Fees paid to PHW Manager for such services include a base management fee calculated at 3.0% of adjusted gross operating revenue plus net casino wins, and an incentive fee calculated at 4.5% of EBITDA less the base management fee. For the three months ended March 31, 2013 , the fees were \$4.5 million . These fees are included in Property, general, administrative, and other expenses in the Combined Condensed Statement of Operations.

Long-term debt to related party

Caesars Interactive has entered into an unsecured credit facility with Caesars Entertainment (the "Credit Facility") whereby Caesars Entertainment provided to Caesars Interactive unsecured intercompany loans as approved by Caesars Entertainment on an individual transaction basis. No principal payments are required under the Credit Facility until its maturity date of November 29, 2016. The unsecured intercompany loans bear interest on the unpaid principal amounts at a rate per annum equal to London Inter-Bank Offered Rate ("LIBOR") plus 5% . For the three months ended March 31, 2013 , CIE recorded \$0.6 million of interest expense associated with this debt. The Credit Facility does not have any restrictive or affirmative covenants.

Investments in notes and interest receivable from related party

Predecessor Growth Partners' investments in notes from related party consist solely of senior notes previously issued by CEOC and were acquired by Caesars Entertainment. All investments in notes from related party are classified as available for sale and are recorded as non-current assets.

For the three months ended March 31, 2013 , interest income from related parties includes \$16.7 million of income based on the stated interest rate, \$23.8 million of accretion of discount and \$0.1 million of interest income related to the paid-in-kind notes.

Note 13 — Recent Developments

Letter from CEOC Second Lien Noteholders

On March 21, 2014, CAC, CGP LLC, Caesars Entertainment, Caesars Entertainment Operating Company, Inc.("CEOC") and Caesars Entertainment Resort Properties, LLC ("CERP") received a letter (the "Second Lien Holders' Letter") from a law firm acting on behalf of unnamed clients who claim to hold Second-Priority Secured Notes of CEOC, alleging, among other things, that CEOC is insolvent and that CEOC's owners improperly transferred or seek to transfer valuable assets of CEOC to affiliated entities in connection with: (a) the transaction agreement dated October 21, 2013 by and among Caesars Entertainment, certain subsidiaries of Caesars Entertainment and CEOC, CAC and

CGP LLC, which, among other things,

provide for the asset transfers from subsidiaries of CEOC to CGP LLC of the Planet Hollywood Resort & Casino and interests in Horseshoe Baltimore that was consummated in 2013 (the "2013 CGP Transaction"); (b) the transfer by CEOC to CERP of Octavius Tower and the Linq that was consummated in 2013; (c) the transfers by CEOC to CGP LLC of The Cromwell, The Quad, and Bally's Las Vegas (together, the "Acquired Properties Transaction"); and (d) the contemplated transfer of Harrah's New Orleans (the "Contemplated Transaction"). The Second Lien Holders' Letter does not identify the holders or specify the amount of Second-Priority Secured Notes or other securities that they may hold. The Second Lien Holders' Letter includes allegations that these transactions constitute or will constitute voidable fraudulent transfers and represent breaches of alleged fiduciary duties owed to CEOC creditors and that certain disclosures concerning the transactions were inadequate. The Second Lien Holders' Letter demands, among other things, that the transactions be rescinded or terminated, as would be applicable.

CAC, CGP LLC, Caesars Entertainment, CEOC and CERP strongly believe there is no merit to the Second Lien Holders' Letter's allegations and will defend itself vigorously and seek appropriate relief should any action be brought. If a court were to order rescission of the 2013 CGP Transaction, the Acquired Properties Transaction or enjoin consummation of the Contemplated Transaction, CGP LLC and Caesars Entertainment may have to return the properties and/or the assets transferred to CGP LLC in the 2013 CGP Transaction and the Acquired Properties Transaction, or their value, to Caesars Entertainment or CEOC, be forced to pay additional amounts therefor, or to take other actions ordered by the court. In addition, if the Contemplated Transaction were consummated and a court were to find that the transfer was improper, that could trigger a default under the CEOC's Senior Secured Credit Facilities and the Notes and a court could fashion a number of remedies, including declaring that the liens on the returned assets securing the CEOC's Senior Secured Credit Facilities and the Notes are not valid or enforceable, or that they may be equitably subordinated or otherwise impaired. These consequences could have a material adverse effect on CGP LLC's and the Company's business, financial condition, results of operations and prospects and on the ability of lenders and noteholders to recover on claims under the Senior Secured Credit Facilities and the Notes. See Item 1A. Risk Factors — Risks Related to Caesars Growth Partners, LLC's Business — We are or may become involved in legal proceedings that, if adversely adjudicated or settled, could impact our financial condition .

Letter from Holders of CEOC First Lien Debt

On April 3, 2014, a letter was sent to the boards of directors of Caesars Entertainment and CEOC (the "First Lien Holders' Letter") by a law firm claiming to act on behalf of unnamed parties who assert that they are lenders under CEOC's credit agreement and/or holders of CEOC's first-priority senior secured notes (collectively, the "First Lien Group"), alleging, among other things, that Caesars Entertainment and CEOC improperly transferred or seek to transfer assets of Caesars Entertainment and CEOC to affiliated entities in connection with: (a) the transaction agreement dated October 21, 2013 by and among Caesars Entertainment, certain subsidiaries of Caesars Entertainment and CEOC, CAC and CGP LLC, which, among other things, provides for the contributions by Caesars Entertainment and its subsidiaries to CGP LLC of Caesars Interactive Entertainment, Inc. ("CIE" or "Caesars Interactive") and \$1.1 billion face amount of CEOC's unsecured notes in exchange for non-voting interests of CGP LLC, and the asset transfers from subsidiaries of CEOC to CGP LLC of the Planet Hollywood Resort & Casino and interests in Horseshoe Baltimore that was consummated in 2013; (b) the transfer by CEOC to CERP of Octavius Tower and Project Linq that was consummated in 2013; (c) Acquired Properties Transaction consummated in 2014; and (d) the Contemplated Transaction and formation of Services JV among CEOC, CERP and the Company to provide certain centralized services, including but not limited to common management of enterprise-wide intellectual property (the "Contested Transactions"). The First Lien Holders' Letter asserts that the consideration received by Caesars Entertainment and CEOC in the Contested Transactions is inadequate, that Caesars Entertainment and CEOC were insolvent when the transactions were approved, that the Contested Transactions represented breaches of alleged fiduciary duties, that certain disclosures concerning the Contested Transactions were inadequate, and concerns about governance of CEOC. The First Lien Holders' Letter claims that the First Lien Group consists of holders of a total of more than \$1.85 billion of CEOC's first lien debt and that holders of an additional \$880.0 million of CEOC's first lien debt endorse and support the First Lien Holders' Letter but are not part of the group. The First Lien Holders' Letter demands, among other things, rescission or termination of the Contested Transactions and requests a meeting with representatives of Caesars Entertainment and other parties to discuss these matters.

Caesars Entertainment and CEOC strongly believe there is no merit to the First Lien Holders' Letter's allegations and will defend themselves vigorously and seek appropriate relief should any action be brought. If a court were to order rescission or termination of the Contested Transactions, CGP LLC and its subsidiaries may have to return the assets transferred to CGP LLC in the Contested Transactions or their value to Caesars Entertainment or CEOC, be forced to pay additional amounts therefor, or to take other actions ordered by the court. In addition, if the Contemplated Transaction were consummated and a court were to find that the transfer was improper, that could trigger a default under the debt that CGP LLC is raising to finance such transfers and a court could fashion a number of remedies, including declaring that the liens on the returned assets securing such financing are not valid or enforceable, or that they may be equitably subordinated or otherwise impaired. Furthermore, a court could enjoin the consummation or order rescission of the Services JV transaction. These consequences could have a material adverse effect on CGP LLC's business, financial condition, results of operations and prospects. See Item 1A. Risk Factors — Risks Related to Caesars Growth Partners, LLC's Business — We are or may become involved in legal proceedings that, if adversely adjudicated or settled, could impact our financial condition .

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial position and operating results of Caesars Acquisition Company (the "Company," "CAC," "we," "our" and "us") and Caesars Growth Partners, LLC ("CGP LLC") for the three months ended March 31, 2014 and the assets and entities that were acquired by or contributed to CGP LLC in connection with the transactions described in Item 1 - Business of our Annual Report on Form 10-K for the year ended December 31, 2013 (referred to as "Predecessor Growth Partners") for the three months ended March 31, 2013 should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations presented in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Basis of Presentation and Discussion

CAC was incorporated under the laws of the State of Delaware on February 25, 2013 and was formed to directly own 100% of the voting membership units in CGP LLC, a joint venture between CAC and subsidiaries of Caesars Entertainment Corporation ("CEC" or "Caesars Entertainment"). On October 21, 2013, the joint venture was formed between subsidiaries of Caesars Entertainment and CAC through the execution of the series of transactions described in Item 1 — Business in our Annual Report on Form 10-K for the year ended December 31, 2013. Following consummation of those transactions, CAC serves as CGP LLC's managing member and sole holder of all of its outstanding voting units, and subsidiaries of Caesars Entertainment hold all of CGP LLC's outstanding non-voting units. However, based upon the structure of CGP LLC and the related economics, CGP LLC has been determined to be a variable interest entity of which Caesars Entertainment is the primary beneficiary. Therefore, CAC does not consolidate CGP LLC into its financial statements. Instead, CAC accounts for its investment in CGP LLC using a balance sheet approach to the equity method of accounting, referred to as hypothetical liquidation at book value ("HLBV") accounting.

CAC's only material asset is its membership interest in CGP LLC. Predecessor Growth Partners is considered to be the predecessor to CAC. The combined historical financial statements of Predecessor Growth Partners have been prepared on a stand-alone basis and, as the formation transactions are considered to be a reorganization of entities under common control, have been derived from the historical accounting records and consolidated financial statements of Caesars Entertainment. The combined condensed financial statements reflect the results of operations and cash flows of the businesses and assets contributed to or acquired by CGP LLC in the transactions described previously as if those businesses were combined into a reporting entity for the period presented.

As our investment in CGP LLC is considered to be significant, CGP LLC's annual financial statements are required to be included as an exhibit to each CAC Annual Report on Form 10-K in accordance with Securities and Exchange Commission ("SEC") Rule 3-09 of Regulation S-X. Given the significance of this investment to the financial position and results of operations of CAC, we have elected to include selected financial information of CGP LLC in this Quarterly Report on Form 10-Q. As the basis of presentation for all items other than income taxes, non-controlling interests and senior notes returned to Caesars Entertainment related to the subscription right restoration is the same between Predecessor Growth Partners and CGP LLC, and because we believe that the comparative information for CAC's investment in CGP LLC is material to investors in CAC, we have presented information for both CGP LLC and Predecessor Growth Partners in this management's discussion and analysis of financial condition and results of operations.

CAESARS ACQUISITION COMPANY

Operating Results

Income from Equity Method Investment

For the three months ended March 31, 2014 , CAC recognized \$9.3 million of income from the equity method investment in CGP LLC, which equals the amount of income that CAC was entitled to under its minimum guaranteed return.

Other Expenses

In addition to its income from equity method investment, CAC incurred direct expenses of \$5.9 million primarily related to professional services fees, predominantly in preparation for the Asset Purchase Transaction as described in Other Items within this Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations , as well as general liability insurance and licenses and fees.

Provision for income taxes

The provision for income taxes for the period presented of \$1.2 million is approximately the same as the expected federal tax rate of 35% applied to CAC's pre-tax income, as there are no material items impacting the federal tax provision for the period presented.

Liquidity and Capital Resources

Capital Spending

CAC has not incurred, nor is it expected to incur, material capital expenditures in the normal course of business or to pursue acquisition opportunities other than through CGP LLC. See " Liquidity and Capital Resources " for CGP LLC and Predecessor Growth Partners.

Capital Resources

CAC's sole source of funds is distributions from CGP LLC. To the extent that CAC requires additional funds, CAC may borrow funds or issue additional equity. However, as CAC does not have operations of its own, it is expected that CAC will not have a significant need for additional liquidity.

CAC's expenses incurred in the normal course of business, most significantly income tax obligations, are expected to be paid by CGP LLC on behalf of CAC. These transactions are accounted for as distributions from CGP LLC to CAC.

Liquidity

Pursuant to the certificate of incorporation of CAC and the CGP Operating Agreement, after October 21, 2016, Caesars Entertainment and/or its subsidiaries will have the right, which it may assign to any of its affiliates or to any transferee of all non-voting units of CGP LLC held by subsidiaries of Caesars Entertainment, to acquire all or a portion of the voting units of CGP LLC (or, at the election of CAC, shares of CAC's Class A common stock) not otherwise owned by Caesars Entertainment and/or its subsidiaries at such time.

Following October 21, 2018 and until April 21, 2022, our Board will have the right to cause a liquidation of CGP LLC, including the sale or winding up of CGP LLC, or other monetization of all of its assets and the distribution of the proceeds remaining after satisfaction of all liabilities of CGP LLC to the holders of CGP LLC's units according to the terms of the CGP Operating Agreement. On April 21, 2022 (unless otherwise agreed by Caesars Entertainment and CAC), if our Board has not previously exercised its liquidation right, the CGP Operating Agreement provides that CGP LLC shall, and our Board shall cause CGP LLC to, effect a liquidation.

Off- Balance Sheet Arrangements

CAC did not have any off-balance sheet arrangements at March 31, 2014 or December 31, 2013.

CAESARS GROWTH PARTNERS, LLC AND PREDECESSOR GROWTH PARTNERS

Overview

For financial reporting purposes, CGP LLC has two reportable segments: (1) Interactive Entertainment and (2) Casino Properties and Developments. CGP LLC's Interactive Entertainment segment consists of Caesars Interactive Entertainment, Inc ("CIE" or "Caesars Interactive"), which is comprised of three distinct, but complementary businesses that reinforce, cross-promote and build upon each other: social and mobile games, the World Series of Poker ("WSOP") and regulated online real money gaming. CGP LLC's Casino Properties and Developments segment consists of the Planet Hollywood Resort & Casino in Las Vegas ("Planet Hollywood") and of Caesars Baltimore Investment Company, LLC ("CBIC" or the "Maryland Joint Venture,") which is the entity that indirectly holds interests in Horseshoe Baltimore casino in Maryland ("Horseshoe Baltimore"). The Horseshoe Baltimore is under construction and is expected to open in the third quarter of 2014. Therefore, the results of operations for Horseshoe Baltimore are primarily comprised of pre-opening and financing-related activities.

Operating Results of CGP LLC and Predecessor Growth Partners

(In millions)	Predecessor Growth Partners			
	Quarter Ended March 31,		Change	Change
CGP LLC	2014	2013		
Revenues	\$ 226.3	\$ 151.1	\$ 75.2	49.8 %
Loss from operations	(61.8)	(24.2)	(37.6)	(155.4)%
Adjusted EBITDA ⁽¹⁾	55.6	42.2	13.4	31.8 %

⁽¹⁾See " Reconciliations of Adjusted Segment EBITDA to Net (Loss)/Income " for a reconciliation of Adjusted Segment Earnings before Interest Income/Expense, Income Taxes, Depreciation and Amortization ("EBITDA") to net (loss)/income.

Net revenues for first quarter 2014 increased by \$75.2 million or 49.8% compared with 2013, driven by organic growth in both operating segments, and by CIE's first quarter 2014 acquisition of Pacific Interactive. Loss from operations for first quarter 2014 was \$61.8 million as compared to loss from operations of \$24.2 million for the same period in 2013. Loss from operations for the first quarter 2014 includes \$76.1 million of expense resulting from the change in fair value of contingently issuable non-voting membership units associated with the CIE earn-out calculation related to the formation transaction. Loss from operations for the first quarter 2013 includes \$52.4 million of expense associated with contingent consideration related to CIE's late 2012 acquisition of Buffalo Studios LLC ("Buffalo"). Before the consideration of these two items, income from operations would have been \$14.3 million for first quarter 2014, compared with \$28.2 million for first quarter 2013. This decrease in income from operations is primarily attributable to increased stock compensation expense and significant marketing expenses associated with online gaming. These adverse impacts on income from operations were partially offset by the income impact of increased revenues. Adjusted EBITDA increased \$13.4 million or 31.8% in first quarter 2014 as compared with first quarter 2013, driven by the income impact of increased revenues, partially offset by the increase in marketing expenses.

Reportable Segments Operating Results

Interactive Entertainment

<u>(In millions)</u>	CGP LLC		Predecessor Growth Partners		Change	Change
	Quarter Ended March 31,		2014	2013		
Revenues	\$	124.2	\$	68.1	\$	56.1
Income/(loss) from operations		4.5		(37.9)		42.4
Adjusted Segment EBITDA ⁽¹⁾		30.3		21.2		9.1
						42.9 %

⁽¹⁾ See " Reconciliations of Adjusted Segment EBITDA to Net (Loss)/Income " for a reconciliation of Adjusted Segment EBITDA to net (loss)/income.

Interactive Entertainment revenues increased by \$56.1 million for the three months ended March 31, 2014 compared to the same period in 2013, as a result of organic growth and the Pacific Interactive acquisition further discussed below. Income from operations for the three months ended March 31, 2014 was \$4.5 million and loss from operations for the three months ended March 31, 2013 was \$37.9 million . Loss from operations for the first quarter 2013 includes \$52.4 million of expense associated with contingent consideration related to CIE's late 2012 acquisition of Buffalo. Before consideration of this item, income from operations would have been \$14.5 million for first quarter 2013. The decrease in income from operations is primarily attributable to increased stock compensation expense and significant marketing expenses associated with online gaming. These adverse impacts on income from operations were partially offset by the income impact of increased revenues. Adjusted Segment EBITDA increased in first quarter 2014 as compared with first quarter 2013, driven by the income impact of increased revenues, partially offset by the increase in marketing expenses.

For the three months ended March 31, 2014 , the CIE business generated approximately 93% of its revenues from its social and mobile games business. CIE measures the performance of its social and mobile games business by using financial metrics, including revenue, and operating metrics, including Daily Active Users, Monthly Active Users, Monthly Unique Users, Average Revenue per User and Monthly Unique Payers. These operating metrics help CIE to understand and measure the engagement levels of its players, the size of its audience and its reach.

In December 2012, CIE consummated the acquisition of substantially all of the assets of Buffalo, a social and mobile games developer based in Santa Monica, California. Aggregate cash consideration paid at the time of the acquisition was \$45.2 million and contingent consideration of \$58.5 million was paid in April 2014.

In May 2013, CIE acquired the *World Series of Poker* social and mobile game assets and intellectual property from Electronic Arts, Inc. In August 2013, CIE acquired an online game development business based in the Ukraine and in October 2013, CIE acquired the workforce, assets and intellectual property of an online gaming development group. Assets acquired and liabilities assumed in these transactions were not material to the financial statements of Predecessor Growth Partners or CGP LLC.

On February 13, 2014, CIE announced the acquisition of Pacific Interactive UK Limited, a company based in the United Kingdom, and the assets of various affiliates of Pacific Interactive, creator of House of Fun, which is among the leading social and mobile casino-themed games on Facebook, iOS, Android and the Amazon marketplace. House of Fun was launched in 2011, is free to play, boasts industry-leading Key Performance Indicators ("KPIs") and, as of March 31, 2014 has a loyal user base of approximately 770 thousand daily active users and almost 3.0 million monthly active users.

The table below shows the results of CIE's social and mobile games business, using the financial and operating metrics referred to above, for the periods indicated. Revenues are presented in millions of dollars, user statistics are presented in thousands of users, and average revenues per user is presented in dollars.

	For the Three Months Ended					
	March 31,	December 31,	September 30,	June 30,	March 31,	
	2014 ⁽¹⁾	2013 ⁽²⁾	2013	2013	2013	
Total Revenues	\$ 115.7	\$ 90.7	\$ 74.7	\$ 70.7	\$ 66.6	
Average Daily Active Users ⁽³⁾	5,704	4,639	4,803	4,952	5,259	
Average Monthly Active Users ⁽³⁾	19,597	15,914	16,354	16,962	17,695	
Average Monthly Unique Users ⁽³⁾	17,370	13,908	14,615	14,941	16,052	
Average Monthly Unique Payers ⁽³⁾	511	322	293	279	292	
Average Revenue per User	\$ 0.24	\$ 0.21	\$ 0.17	\$ 0.16	\$ 0.14	

⁽¹⁾ Operating metrics include numbers from Pacific Interactive only after its February 2014 acquisition by CIE.

⁽²⁾ Presents the aggregate of Predecessor Growth Partners for the period from October 1 through October 21, 2013, and CGP LLC for the period from October 22 through December 31, 2013.

⁽³⁾ CIE systems cannot always distinguish unique individuals playing games in multiple sessions in the same day or in a 30-day period ending with the measurement date, playing the same game across multiple platforms, or playing different titles offered by CIE. Thus, users who play multiple titles or on multiple platforms may be counted as more than one user within the respective operating metrics.

Consistent with the social and mobile business model, only a small portion of CIE's social and mobile games players pay for virtual goods. During the three months ended March 31, 2014 , CIE's social and mobile games business had approximately 511 thousand average Monthly Unique Payers, or 2.9% of the total number of average Monthly Unique Users on the social and mobile platforms during this period, purchase virtual goods. Because the opportunity for social interactions and player generated promotion through playing platforms increases as the overall number of players increases, CIE believes that maintaining and growing its total number of players, including the number of players who may not purchase virtual goods, is important to the success of its business. The sale of virtual goods, however, constitutes the primary source of revenue for CIE's social and mobile games business. The degree to which game-players choose to pay for virtual goods in the games is driven by CIE's ability to create content that enhances the game-play experience. CIE's revenue and overall financial performance are affected by the number of players and the effectiveness of its monetization of players through the sale of virtual goods.

CIE's user metrics are impacted by several factors that cause them to fluctuate on a quarterly basis. Future growth in audience and engagement will depend on CIE's ability to retain current players, attract new players, launch new games and expand into new markets and distribution platforms. Overall, CIE expects average revenue per user to be slightly higher on the mobile platforms based upon the relative ease of the tablet payment process and the overall user demographics of tablet users, when compared to the purchase process and user demographics of web platforms.

The table below shows the revenue generated from CIE's social and mobile games business by geographic region for the periods presented and assumes that deferred revenues are spread proportionately across all geographies.

<u>(In millions)</u>	For the Three Months Ended					
	March 31,	December 31,	September 30,	June 30,	March 31,	
	2014	2013 ⁽¹⁾	2013	2013	2013	
North America	\$ 80.2	\$ 60.9	\$ 50.1	\$ 47.8	\$ 43.2	
South America	0.7	0.6	0.6	0.6	0.4	
Europe	10.0	8.9	8.1	7.8	8.7	
Asia/Pacific	24.3	20.0	15.7	14.3	14.0	
Africa and Rest of the World	0.5	0.3	0.2	0.2	0.3	
	<u>\$ 115.7</u>	<u>\$ 90.7</u>	<u>\$ 74.7</u>	<u>\$ 70.7</u>	<u>\$ 66.6</u>	

⁽¹⁾ Presents the aggregate of Predecessor Growth Partners for the period from October 1 through October 21, 2013, and CGP LLC for the period from October 22 through December 31, 2013.

Casino Properties and Developments

<u>(In millions)</u>	CGP LLC		Predecessor Growth Partners		Change	Change
	Quarter Ended March 31,					
(In millions)	2014	2013				
Revenues	\$ 102.1	\$ 83.0	\$ 19.1	23.0 %		
Income from operations	10.8	13.7	(2.9)	(21.2)%		
Adjusted Segment EBITDA ⁽¹⁾	26.1	21.0	5.1	24.3 %		

⁽¹⁾ See " Reconciliations of Adjusted Segment EBITDA to Net (Loss)/Income " for a reconciliation of Adjusted Segment EBITDA to net (loss)/income.

Performance of the Casino Properties and Developments segment is measured in part through tracking of trips by rated customers, which means a customer whose gaming activity is tracked through Caesars Entertainment's Total Rewards system, referred to as "trips," and spend per rated customer trip, referred to as "spend per trip." A trip is created by a Total Rewards card holder engaging in one or more of the following activities while at our property: (1) hotel stay, (2) gaming activity or (3) a comp redemption, which means the receipt of a complimentary item given out by the casino. Lodgers are guests registered with the total rewards program who stay at the property and Non-lodgers are guests registered with the total rewards program not staying at the property. Customer spend means the cumulative rated theoretical spend (which is the amount of money expected to be retained by the casino based upon the mathematics underlying the particular game as a fraction of the amount of money wagered by the customer) across all game types for a specific customer. The average combined gross hold is the percentage of the amount wagered across all game types (including table games and slot machines) that the casino retained.

Casino Properties and Developments net revenues for the three months ended March 31, 2014 increased by \$19.1 million when compared with the same period in 2013. The majority of the increase was driven by Other revenue related to the enhanced entertainment options at the new Axis Theater in 2014. Additionally, there were increases in both trips and spend per trip at Planet Hollywood. During the first quarter of 2014, total trips increased by approximately 2.5% from the first quarter of 2013, driven by a 5.2% increase in trips by non-lodgers, partially offset by a decrease in trips by lodgers. Total spend per trip increased by 5.2% in first quarter of 2014 versus the first quarter of 2013, driven by increases in spend per trip from both lodgers and non-lodgers. Gross casino hold decreased slightly from 11.8% in the first quarter of 2013 to 11.4% in first quarter of 2014.

Cash average daily room rates for the three months ended March 31, 2014 increased to \$132 , or approximately 23.4% , when compared to \$107 for the same period in 2013, primarily resulting from the introduction of resort fees. Average daily occupancy was 95.7% in the first quarter of 2014 and 94.6% in the first quarter of 2013. Revenue per available room ("RevPar") for the three months ended March 31, 2014 and 2013 was \$124 and \$103 , respectively.

Food and beverage revenues for the three months ended March 31, 2014 and 2013 were \$24.9 million and \$21.4 million , respectively. This increase in revenues was driven largely by the ramp up of the Gordon Ramsay BurGR restaurant that opened in 2012, combined with increased banquet business, as well as revenues from the Axis Bar inside the new Axis theater, the new Pinup Pizza takeout restaurant, and Shiver frozen daiquiri bar which all opened after the first quarter of 2013.

Income from operations decreased in 2014 when compared with 2013 as the income impact of increased revenues was more than offset by the combination of increased expenses at Planet Hollywood and increased pre-opening expenses associated with the Baltimore Development, as defined and described in the Capital Resources section below. Certain pre-opening expenses for Baltimore are not a component of Adjusted Segment EBITDA, therefore Adjusted Segment EBITDA increased for 2014 when compared with 2013.

Other Factors Affecting Net Income

<u>(In millions)</u>	Predecessor Growth Partners	
	Quarter Ended March 31,	
	2014	2013
Interest expense, net of interest capitalized	\$ (11.9)	\$ (10.1)
Interest income	1.0	—
Interest income - related party	48.8	40.6
Loss on early extinguishment of debt	(0.6)	—
Other income/(expense), net	—	0.2
Provision for income taxes ⁽¹⁾	(1.7)	(2.0)
Net loss/(income) attributed to non-controlling interests ⁽²⁾	6.5	1.8

⁽¹⁾ CGP LLC's provision for income taxes represents the income taxes from its corporate subsidiary, CIE, which is taxed as a corporation for federal, state and foreign income purposes. CGP LLC does not record a tax provision for its Casino Properties and Developments segment as all entities within this segment are pass-through entities for income tax purposes. Predecessor Growth Partners' income taxes represent the allocated income taxes from the consolidated Caesars Entertainment provision for income taxes as if Predecessor Growth Partners filed separate U.S. federal, state and foreign income tax returns, and does not recognize the pass-through entity structure of CGP LLC.

⁽²⁾ CGP LLC's non-controlling interest reflects the non-controlling interest associated with consolidating CIE and the Baltimore Joint Venture into CGP LLC. As the financial statements of Predecessor Growth Partners were prepared on a combined basis rather than a consolidated basis, the non-controlling interest associated with CIE is not included within the financial statements of Predecessor Growth Partners.

Interest expense, net of interest capitalized

Interest expense associated with the Planet Hollywood secured loan increased from \$9.5 million in first quarter of 2013, to \$9.6 million in the first quarter of 2014. Increases to the expense resulted from increased amortization of debt discount, partially offset by a decrease in interest expense resulting from pre-payments of principle.

In July 2013, CBAC Borrower LLC ("CBAC Borrower") entered into a credit agreement (the "Baltimore Credit Facility"). Interest expense associated with this facility was \$1.6 million in the first quarter of 2014 which consisted of \$5.9 million in interest expense offset by \$4.3 million in capitalized interest for related construction of the facility.

Other interest expense, net of interest capitalized, was \$0.7 million and \$0.6 million for the three months ended March 31, 2014 and 2013, respectively, primarily due to a 2014 change in the fair value of the earn-out associated with an acquisition partially offset by a decrease in the interest expense associated with CIE's unsecured credit facility with Caesars Entertainment as defined in the Capital Resources section below, resulting from the lower average balance owed to Caesars Entertainment.

Interest expense associated with contingent consideration and capital lease obligations was not material to any period presented.

Interest income-related party

CGP LLC receives interest income on its portfolio of approximately \$1.1 billion face value of aggregate principal amount of notes received from CEOC in the transactions described in Item 1 - Business of our Annual Report on Form 10-K for the year ended December 31, 2013 ("CEOC Notes"). The CEOC Notes have fixed interest rates ranging from 5.625% to 6.50% and maturities ranging from 2015 to 2017. The increase in interest income in the first quarter of 2014 when compared with the first quarter of 2013 is primarily the result of increased accretion of discount originally recorded as a result of purchasing the senior notes at market prices significantly below face value.

Loss on early extinguishment of debt

The Planet Hollywood secured loan contains excess cash flow provisions which require mandatory prepayment of debt when certain conditions are met. The mandatory prepayments made in the first quarter of 2014 resulted in the recognition of a loss on early extinguishment of debt of \$0.6 million .

Other income/(expense), net

Other income/(expense), net for the three months ended March 31, 2014 and 2013 was not material to the respective periods.

Provision for income taxes

CGP LLC

The provision for income taxes for CGP LLC represents the income taxes from its corporate subsidiary, CIE, which was taxed as a corporation for federal, state and foreign income tax purposes. The provision for income taxes for CGP LLC differs from the expected federal tax rate of 35% primarily due to CGP LLC income not taxed at the CGP LLC entity level.

No provision for income taxes is reported for the Casino Properties and Developments segment of CGP LLC as this segment is taxed as a partnership for federal and state income tax purposes whereby any income or losses were allocated to the CGP LLC Members and taxed by each Member.

Predecessor Growth Partners

The provision for income taxes represent the allocated income taxes from the consolidated Caesars Entertainment provision for income taxes as if Predecessor Growth Partners filed separate U.S. federal, state, and foreign income tax returns. The provision for income taxes for the period presented differs from expected federal tax rate of 35% primarily due to tax benefits from foreign operations partially offset by an increase in federal valuation allowance and the tax cost of nondeductible stock-based compensation and other nondeductible expenses.

Net loss/(income) attributed to non-controlling interests

CGP LLC

Caesars Interactive Entertainment

CGP LLC's non-controlling interest reflects the non-controlling interest associated with consolidating Caesars Interactive into CGP LLC. As the financial statements of Predecessor Growth Partners were prepared on a combined basis rather than a consolidated basis, the non-controlling interest associated with CIE is not included within the financial statements of Predecessor Growth Partners. For the quarter ended March 31, 2014, net income of \$0.2 million was attributable to non-controlling interests in CIE.

Baltimore Joint Venture

For the quarter ended March 31, 2014, net loss of \$6.7 million was attributable to non-controlling interests in the Baltimore joint venture.

In February 2014, our joint venture CR Baltimore Holdings ("CRBH") sold a portion of its interest in CBAC Gaming LLC ("CBAC"), the entity which owns a majority of the interests in the Maryland Joint Venture to an existing joint venture partner, Caves Valley Partners ("CVP"). CGP LLC received \$12.8 million of the proceeds from the sale. After consideration of this transaction, CRBH owns approximately 70% of CBAC.

Predecessor Growth Partners

As a result of the acquisition of a 51% controlling equity interest in Playtika Ltd. ("Playtika") in May 2011, CIE began consolidating the results of Playtika subsequent to the acquisition date, recording net income attributed to non-controlling interest of \$8.0 million for the 49% equity interest not owned during that period. CIE acquired the remaining 49% equity interest in Playtika in December 2011.

For the period ended March 31, 2013, net loss attributed to non-controlling interests was \$1.8 million .

Reconciliations of Adjusted Segment EBITDA to Net (Loss)/Income

Our unaudited financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). Adjusted EBITDA is a non-GAAP financial measure that is defined and reconciled to its most comparable GAAP measure below. Adjusted EBITDA is included because management believes that Adjusted EBITDA provides investors with additional information that allows a better understanding of the results of operational activities separate from the financial impact of capital investment decisions made for the long-term benefit of CGP LLC and Predecessor Growth Partners.

Because not all companies use identical calculations, the presentation of CGP LLC's and Predecessor Growth Partners' EBITDA and Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

<u>(In millions)</u>	CGP LLC		Predecessor Growth Partners
	Quarter Ended March 31,		
	2014	2013	
Adjusted Segment EBITDA			
Interactive Entertainment	\$ 30.3	\$ 21.2	
Casino Properties and Developments	26.1	21.0	
Other	(0.8)	—	
	<u>55.6</u>	<u>42.2</u>	
Reconciliation			
Stock-based compensation ^(a)	(18.3)	(2.5)	
Write-downs, reserves, recoveries, and project opening costs ^(b)	(7.8)	(0.8)	
Change in fair value of contingently issuable non-voting membership units ^(c)	(76.1)	—	
Change in fair value of contingent consideration ^(d)	(0.7)	(52.4)	
Loss on early extinguishment of debt ^(e)	(0.6)	—	
Transaction costs	(0.2)	—	
Other (expense)/income, net	—	0.2	
Other ^(f)	(0.7)	(0.3)	
EBITDA	<u>(48.8)</u>	<u>(13.6)</u>	
Depreciation and amortization	(13.6)	(10.4)	
Interest expense, net of interest capitalized	(11.9)	(10.1)	
Interest income	1.0	—	
Interest income - related party	48.8	40.6	
Provision for income taxes	(1.7)	(2.0)	
Net (loss)/income	<u>\$ (26.2)</u>	<u>\$ 4.5</u>	

^(a) Amounts represent non-cash stock-based compensation expense related to stock options and restricted stock.

^(b) Amounts primarily represent development costs related to the construction and planned casino operations of Horseshoe Baltimore.

^(c) Amount represents the change in fair value of contingently issuable non-voting membership units associated with the CIE earn-out calculation related to the transactions establishing CGP LLC. The non-voting membership units ultimately will be issued to a subsidiary of Caesars Entertainment.

^(d) Amounts represent the change in fair value of contingent consideration for CIE acquisitions.

^(e) Amounts represent the difference between the fair value of consideration paid and the book value, net of deferred financing costs, of debt retired through debt extinguishment transactions, which are capital structure-related, rather than operational-type costs.

^(f) Amounts represent other add-backs and deductions to arrive at EBITDA and Adjusted EBITDA but not separately identified, such as lobbying expenses.

The following Segment EBITDA information is presented based on the reporting segments:

<u>(In millions)</u>	Quarter Ended March 31, 2014			
	Interactive Entertainment	Casino Properties and Developments	Other	Total
	\$ 4.5	\$ 10.8	\$ (77.1)	\$ (61.8)
Income/(loss) from operations	\$ 4.5	\$ 10.8	\$ (77.1)	\$ (61.8)
Depreciation and amortization	6.1	7.5	—	13.6
Loss on extinguishment of debt	—	(0.6)	—	(0.6)
Segment EBITDA	10.6	17.7	(77.1)	(48.8)
Depreciation and amortization	(6.1)	(7.5)	—	(13.6)
Interest expense, net of interest capitalized	(0.7)	(11.2)	—	(11.9)
Interest income	—	—	1.0	1.0
Interest income-related party	—	—	48.8	48.8
Provision for income taxes	(1.7)	—	—	(1.7)
Net income/(loss)	<u>\$ 2.1</u>	<u>\$ (1.0)</u>	<u>\$ (27.3)</u>	<u>\$ (26.2)</u>

Quarter Ended March 31, 2013

(In millions)	Interactive Entertainment	Casino Properties and Developments	Other	Total
(Loss)/income from operations	\$ (37.9)	\$ 13.7	\$ —	\$ (24.2)
Depreciation and amortization	3.9	6.5	—	10.4
Other income/(expense), net	0.1	0.1	—	0.2
Segment EBITDA	(33.9)	20.3	—	(13.6)
Depreciation and amortization	(3.9)	(6.5)	—	(10.4)
Interest expense, net of interest capitalized	(0.6)	(9.5)	—	(10.1)
Interest income-related party	—	—	40.6	40.6
Benefit from/(provision for) income taxes	14.0	(1.8)	(14.2)	(2.0)
Net (loss)/income	\$ (24.4)	\$ 2.5	\$ 26.4	\$ 4.5

Liquidity and Capital Resources

Capital Spending

CGP LLC incurs capital expenditures in the normal course of business, performs ongoing refurbishment and maintenance at Planet Hollywood, and performs ongoing maintenance and enhancements to its social and mobile games to maintain their quality standards. Cash used for capital expenditures in the normal course of business is typically made available from cash flows generated by operating activities. CGP LLC may also pursue acquisition opportunities for additional businesses or social or mobile games that meet its strategic and return on investment criteria.

CGP LLC's planned development projects, if they go forward, will require significant capital commitments and, if completed, may result in significant additional revenues. The commitment of capital, the timing of completion, and the commencement of operations of development projects are contingent upon, among other things, negotiation of final agreements and receipt of requisite approvals from the applicable political and regulatory bodies. Excluding amounts spent for the purchases of businesses, CGP LLC's cash used for capital spending for the three months ended March 31, 2014 was \$29.6 million . Predecessor Growth Partners' capital spending for the three months ended March 31, 2013 totaled \$12.6 million . The majority of the 2014 and 2013 capital spending relates to Horseshoe Baltimore.

CGP LLC's near term capital requirements for Horseshoe Baltimore are expected to be funded by the Baltimore Credit Facility, as further discussed in the Capital Resources section below.

Liquidity

CGP LLC's primary sources of liquidity include currently available cash and cash equivalents, cash flows generated from its operations, interest income generated from its investments in the CEOC Notes, and borrowings under CIE's credit facility with Caesars Entertainment. CGP LLC's cash and cash equivalents totaled \$972.6 million and \$976.9 million at March 31, 2014 and December 31, 2013, respectively. Payments of short-term debt obligations and other commitments are expected to be made from operating cash flows. Long-term obligations are expected to be paid through operating cash flows, refinancing of existing debt or the issuance of new debt, or, if necessary, additional investments from its equity holders. CGP LLC's operating cash inflows are used for operating expenses, debt service costs, working capital needs and capital expenditures in the normal course of business.

CGP LLC's restricted cash totaled \$226.4 million and \$260.4 million at March 31, 2014 and December 31, 2013, respectively. Restricted cash and cash equivalents include amounts restricted under the terms of the Baltimore Credit Facility and Planet Hollywood debt agreement. The Planet Hollywood debt agreement requires that CGP LLC maintain certain reserves for payment of property taxes, insurance, interest and ongoing furniture, fixtures and equipment purchases, or property development. The classification between current and long-term is dependent upon the intended use of each particular reserve.

At March 31, 2014 and December 31, 2013, Caesars Interactive had cash balances in its subsidiary located in Israel of \$20.7 million and \$24.4 million , respectively. Additionally, the subsidiary had \$15.0 million in short-term investments at December 31, 2013 and no short-term investments at March 31, 2014. CIE may use the cash in the Playtika subsidiary to repay debt payable to related parties, fund operations at Playtika, pursue international acquisitions or repatriate the cash to CGP LLC.

As of both March 31, 2014 and December 31, 2013, CIE had \$39.8 million of book value of indebtedness outstanding and payable to Caesars Entertainment, and Planet Hollywood had \$459.4 million and \$462.5 million , respectively, of book value of indebtedness outstanding and payable to third-party lenders. In addition, at March 31, 2014 and December 31, 2013, the Maryland Joint Venture had \$218.2 million and \$217.7 million , respectively, of book value of indebtedness outstanding and

payable to third-party lenders. Cash paid for interest for the first quarter of 2014 and 2013 was \$14.3 million and \$4.9 million , respectively.

CGP LLC believes that its cash and cash equivalents balance and its cash flows from operations will be sufficient to meet its normal operating and debt service requirements during the next 12 months and the foreseeable future and to fund capital expenditures expected to be incurred in the normal course of business.

See " Other Items , Subsequent Events for CGP LLC " for information regarding subsequent transactions related to CGP LLC's liquidity.

Capital Resources

Caesars Interactive has entered into an unsecured credit facility with Caesars Entertainment (the "Credit Facility") whereby Caesars Entertainment provided to Caesars Interactive unsecured intercompany loans as requested by CIE and approved by Caesars Entertainment on an individual transaction basis. No principal payments are required on the unsecured intercompany loans until their maturity date of November 29, 2016. The unsecured intercompany loans bear interest on the unpaid principal amounts at a rate per annum equal to London Inter-Bank Offered Rate ("LIBOR") plus 5%. This credit facility does not have any restrictive or affirmative covenants.

In March 2012, Rock Gaming LLC ("Rock") and CIE entered into an agreement pursuant to which Rock purchased approximately 6,155 shares of CIE common stock for \$30.4 million in cash and agreed to purchase additional shares of CIE common stock on or before July 2, 2012. CIE used the proceeds from this sale to prepay a portion of the then outstanding balance on the credit facility.

In June 2012, CIE and Rock modified the agreement with Rock such that CIE issued to Rock approximately 382 shares of CIE common stock and a promissory note for \$28.5 million in exchange for \$30.4 million in cash. The promissory note is convertible into approximately 5,773 shares of CIE common stock. In November 2012, CIE issued to Rock an additional promissory note for \$19.2 million in exchange for \$19.2 million in cash. The additional promissory note is convertible into approximately 3,140 shares of CIE common stock. The ability to convert the promissory notes into shares is subject to the satisfaction of certain specified criteria. Both promissory notes automatically convert into shares of CIE common stock in June 2014, unless both parties agree to amend the notes. As the notes are expected to be converted into equity, both promissory notes are classified as long-term in CGP LLC's Consolidated Condensed Balance Sheet at March 31, 2014 and December 31, 2013.

In connection with the acquisition of Planet Hollywood by Caesars Entertainment in 2010 and the assumption of debt, PHW Las Vegas, LLC entered into the Amended and Restated Loan Agreement (the "Planet Hollywood Loan Agreement") with Wells Fargo Bank, N.A., as trustee for The Credit Suisse First Boston Mortgage Securities Corp. Commercial Mortgage Pass-Through Certificates, Series 2007-TFL2. On October 26, 2011, Caesars exercised its option to extend the Planet Hollywood senior secured loan to 2013. On December 5, 2013 the loan maturity was again extended to April 2015. No additional options exist to extend the maturity of the loan.

The book values of outstanding debt under the Planet Hollywood Loan Agreement were \$459.4 million and \$462.5 million at March 31, 2014 and December 31, 2013, respectively, and bear interest on the unpaid principal balance at a rate per annum equal to LIBOR plus 2.859%.

CBAC Borrower, a joint venture among CBIC, Rock Gaming Mothership LLC, CVPR Gaming Holdings, LLC, STRON-MD Limited Partnership and PRT Two, LLC, entered into the Baltimore Credit Facility to finance the acquisition of land in Baltimore, Maryland and the construction of the Horseshoe Baltimore and a parking garage (collectively, the "Baltimore Development"). The Baltimore Credit Facility provides for (i) a \$300.0 million senior secured term facility with a seven-year maturity, which is comprised of a \$225.0 million facility that was funded upon the closing of the Baltimore Credit Facility, a \$37.5 million delayed draw facility available from the closing of the Baltimore Credit Facility until July 2014 and a \$37.5 million delayed draw facility available until January 2015 and (ii) a \$10.0 million senior secured revolving facility with a five-year maturity. The Baltimore Credit Facility is secured by substantially all material assets of CBAC and its wholly-owned domestic subsidiaries. In connection with the foregoing, CBIC and the other joint venture partners each provided, on a several and not joint basis, a completion guarantee with respect to the Baltimore Development, which guarantees completion of the construction of the Baltimore Development, availability of contemplated working capital and the discharge, bonding or insuring over of certain liens in connection with the Baltimore Development. The maximum liability of CBIC under its completion guarantee is approximately \$9 million.

Concurrently with the closing of the Baltimore Credit Facility, CBAC entered into an equipment financing term loan facility for up to \$30.0 million (the "Baltimore FF&E Facility"). Under the Baltimore FF&E Facility, CBAC may use funds from the facility to finance or reimburse the purchase price and certain related costs of furniture, furnishings, and equipment (referred to as "FF&E") to be used in the Baltimore Development. Proceeds of the Baltimore FF&E Facility will also be available to refinance the purchase price of FF&E purchased with other amounts available to CBAC. Draws under the Baltimore FF&E

Facility may be made after the closing date and prior to January 2015, provided that a final draw of the unused commitment amount will be deposited into an escrow account pledged to the collateral agent for the Baltimore FF&E Facility at the end of the commitment period, and such funds will be available for subsequent financing of FF&E purchases. CBAC is not permitted to reduce the commitments under the FF&E Facility. The Baltimore FF&E Facility will mature in January 2019.

The Baltimore FF&E Facility has covenants and events of default substantially consistent with the Baltimore Credit Facility, and other restrictive covenants customary for FF&E facilities of this type.

Contingently issuable non-voting membership units

Pursuant to the terms of the CGP Operating Agreement, CGP LLC is obligated to issue additional non-voting membership units to Caesars Entertainment to the extent that the earnings from CIE's social and mobile games business exceeds a specified threshold amount in 2015. The number of units to be issued is capped at a value of \$225 million divided by the value of the non-voting units on October 21, 2013. Therefore, on October 21, 2013, CGP LLC recorded a liability of \$167.8 million representing the estimated fair value of additional non-voting membership units contingently issuable to Caesars Entertainment in 2016. The contingently issuable non-voting membership units' estimated fair value is based upon a multiple of EBITDA for the calendar year 2015 in excess of a specified minimum threshold and includes a maximum payout threshold. The estimated fair value of the contingently issuable non-voting membership units at March 31, 2014 and December 31, 2013 was \$382.6 million and \$306.5 million, respectively. The change in fair value of \$76.1 million is reported within the CGP LLC Consolidated Condensed Statement of Operations.

Other Obligations and Commitments

As of March 31, 2014, there have been no material changes outside of the ordinary course of business to our contractual obligations, which are set forth in the table included in Item 7 in our annual report on Form 10-K for the year ended December 31, 2013.

Off-Balance Sheet Arrangements

CGP LLC did not have any off-balance sheet arrangements at March 31, 2014 or December 31, 2013.

Other Items

CIE share repurchase

During the first quarter of 2014, 2,394 shares of CIE stock were issued pursuant to the exercise of stock options, and those shares were subsequently repurchased by CIE. The transaction resulted in a \$3.9 million decrease in equity, which is the net difference between the gross repurchase amount of \$19.1 million and the aggregate of \$3.8 million in exercise proceeds and \$11.4 million related to the fair value of liability-based awards reclassified to equity upon exercise. Net cash outflow for the share repurchase was \$15.3 million.

Subsequent Events for CGP LLC

Asset Purchase Transaction Agreement

On March 1, 2014, CAC entered into a Transaction Agreement (the "Agreement") by and among, Caesars Entertainment, CEOC, Caesars License Company, LLC ("CLC"), Harrah's New Orleans Management Company ("HNOMC"), Corner Investment Company, LLC ("CIC"), 3535 LV Corp. ("3535 LV"), Parball Corporation ("Parball"), JCC Holding Company II, LLC ("JCC Holding"), CAC and CGP LLC. The Agreement was fully negotiated by and between a Special Committee of CEC's Board of Directors (the "CEC Special Committee") and a Special Committee of CAC's Board of Directors (the "CAC Special Committee"), each comprised solely of independent directors, and was recommended by both committees and approved by the Boards of Directors of CEC and CAC. The CEC Special Committee, the CAC Special Committee and the Boards of Directors of CEC and CAC each received fairness opinions from firms with experience in valuation matters, which stated that, based upon and subject to (and in reliance on) the assumptions made, matters considered and limits of such review, in each case as set forth in the opinions, the Purchase Price (as defined below) was fair from a financial point of view to CEC and CGP LLC, respectively.

Pursuant to the terms of the Agreement, CGP LLC (or one or more of its designated direct or indirect subsidiaries) agreed to acquire from CEOC or one or more of its affiliates, (i) The Cromwell (f/k/a Bill's Gamblin' Hall & Saloon), The Quad, Bally's Las Vegas and Harrah's New Orleans (each a "Property" and collectively, the "Properties"), (ii) 50% of the ongoing management fees and any termination fees payable under the Property Management Agreements to be entered between a Property Manager (as defined below) and the owners of each of the Properties (the "Property Management Agreements"); and (iii) certain intellectual property that is specific to each of the Properties (together with the transactions described in (i) and (ii) above, the "Asset Purchase Transaction") for an aggregate purchase price of \$2.0 billion (the "Purchase Price"), less

outstanding debt to be assumed in the Asset Purchase Transaction, and also subject to various pre-closing and post-closing adjustments in accordance with the terms of the Agreement.

On May 5, 2014, CAC and CGP LLC entered into that certain First Amendment to Transaction Agreement (the “Amendment”) by and among Caesars Entertainment Corporation, CEOC, CLC, HNOMC, CIC, 3535 LV, Parball and JCC Holding pursuant to which the parties to such agreement amended the Agreement (the Agreement, as so amended by the Amendment, the “Amended Agreement”).

On May 5, 2014, pursuant to the Amended Agreement, CGP LLC acquired the Las Vegas properties The Cromwell, The Quad, and Bally's Las Vegas (together, the "Acquired Properties") and CGP LLC will acquire the Louisiana property, Harrah's New Orleans, after the required regulatory approval.

Pursuant to the terms of the Amended Agreement, the parties have agreed to use reasonable best efforts to establish a new services joint venture (the "Services JV") which will be jointly owned by CEOC, CERP, and Caesars Growth Properties Holdings, LLC ("CGPH"), a wholly-owned subsidiary of CGP LLC and certain of their respective subsidiaries. The purpose of the Services JV includes the common management of the enterprise-wide intellectual property, which will be licensed by the Services JV to, among other parties, each of the Property Owners, and shared services operations across the portfolio of CEOC, CERP and CGP LLC properties.

The foregoing description of the Agreement and the Amendment is only a summary, does not purport to be complete and is qualified in its entirety by reference to the full text of the Agreement and the Amendment which were filed with the Securities and Exchange Commission ("SEC") on March 3, 2014 as an Exhibit to Form 8-K and on May 6, 2014 as an Exhibit to Form 8-K, respectively.

Caesars Growth Properties Term Facility

The purchase price of CGP LLC's acquisition of The Cromwell, The Quad Resort & Casino, Bally's Las Vegas, 50% of the ongoing management fees and any termination fees payable for each of these properties, and certain intellectual property that is specific to each of these properties (collectively referred to as the “First Closing”) was funded by CGP LLC with cash on hand and the proceeds of \$700.0 million of term loans (the “First Closing Term Loan”). Caesars Growth Properties Holdings, LLC (“CGPH”) closed on the First Closing Term Loan on May 5, 2014. The First Closing Term Loan matures on May 5, 2015; provided that CGPH has the option to extend, for a fee equal to 1.00% of the aggregate principal amount of the First Closing Term Loan outstanding on the initial maturity date, for one additional year. The First Closing Term Loan requires scheduled quarterly payments in amounts equal to 0.25% of the original aggregate principal amount of the First Closing Term Loan, with the balance due at maturity. In addition, the First Closing Term Loan is expected to be repaid in full upon the acquisition by CGP LLC of the Harrah's New Orleans Hotel and Casino, the contribution of the Planet Hollywood Resort and Casino and the release of certain indebtedness required to fund such acquisition from escrow. The Credit Agreement allows CGPH to request one or more incremental term loan and revolving credit facilities in an aggregate amount of up \$150.0 million , subject to certain conditions and receipt of commitments by existing or additional financial institutions or institutional lenders.

Caesars Growth Properties Indenture

CGPH and Caesars Growth Properties Finance, Inc. (together, the “Issuers”), issued \$675.0 million aggregate principal amount of their 9.375% second-priority senior secured notes due 2022 (the “2022 Notes”) pursuant to an indenture dated as of April 17, 2014, among the Issuers and U.S. Bank National Association, as trustee (the “Indenture”). The Issuers deposited the gross proceeds of the offering of the 2022 Notes, together with additional amounts necessary to redeem the 2022 Notes, if applicable, into a segregated escrow account until the date that certain escrow conditions are satisfied (the “Escrow Release Date”). The Indenture provides that, among other things, prior to the Escrow Release Date, the Issuers will not own, hold or otherwise have any interest in any assets other than the escrow account and cash or cash equivalents (the “Pre-Escrow Release Covenant”). In connection with the First Closing, the Issuers are currently not in compliance with the Pre-Escrow Release Covenant. The Issuers intend to be in compliance with the Indenture prior to such default becoming an event of default under the Indenture by either consummating the Second Closing (acquisition of Harrah's New Orleans (the “Louisiana Property”), 50% of the ongoing management fees and any termination fees payable for the Louisiana Property, and certain intellectual property that is specific to the Louisiana Property) and releasing the gross proceeds of the notes from escrow or, following receipt of gaming and other required governmental approvals, transferring the assets related to the First Closing to another entity. There can be no assurances, however, that the Issuers will be successful in consummating the Second Closing or transferring such assets, and curing such default.

Caesars Growth Properties Term Loan

On May 8, 2014, Caesars Growth Properties Holdings, LLC (the “Borrower”) closed on the \$1.175 billion of term loans (the “Term Loan”) pursuant to a First Lien Credit Agreement among Caesars Growth Properties Parent, LLC (“Parent”), the Borrower, the lenders party thereto, Credit Suisse AG, Cayman Islands Branch, as Administrative Agent (the

“Administrative Agent”), and Credit Suisse Securities (USA) LLC, Citigroup Global Markets Inc., Deutsche Bank Securities Inc., UBS Securities LLC, J.P Morgan Securities LLC, Morgan Stanley & Co. LLC, Macquarie Capital (USA) Inc. and Nomura Securities International, Inc., as Co-Lead Arrangers and Bookrunners (the “Credit Agreement”). The Credit Agreement also provides for a \$150.0 million revolving credit agreement (the “Revolving Credit Facility”), which was undrawn at the closing of the Term Loan. The Borrower is a subsidiary of CGP LLC, which is a joint venture between Caesars Acquisition Company and Caesars Entertainment Corporation.

Pursuant to an escrow agreement, dated as of May 8, 2014, among U.S. Bank National Association, as escrow agent and securities intermediary, the Administrative Agent and the Borrower, the Borrower deposited the gross proceeds of the Term Loan, together with additional amounts necessary to repay the Term Loan, if applicable, into a segregated escrow account until the date that certain escrow conditions are satisfied.

Full details of this transaction, including additional information on the terms of the Term Loan and Revolving Credit Facility, and the conditions upon which the funds can be released from escrow, can be obtained from the Form 8-K filed with the SEC on May 9, 2014.

CAUTIONARY STATEMENT PURSUANT TO THE PRIVATE

SECURITIES LITIGATION REFORM ACT OF 1995

This Form 10-Q contains or may contain "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. You can identify these statements by the fact that they do not relate strictly to historical or current facts. These statements contain words such as "may," "will," "project," "might," "expect," "believe," "anticipate," "intend," "could," "would," "estimate," "continue," or "pursue," or the negative of these words or other words or expressions of similar meaning may identify forward-looking statements and are found at various places throughout this Form 10-Q. These forward-looking statements, including, without limitation, those relating to (i) the purchase of the Properties and (ii) future actions, new projects, strategies, future performance, the outcome of contingencies such as legal proceedings, and future financial results, wherever they occur in this Form 10-Q, are based on our current expectations about future events and are necessarily estimates reflecting the best judgment of CAC's management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements.

Investors are cautioned that forward-looking statements are not guarantees of future performance or results and involve risks and uncertainties that cannot be predicted or quantified, and, consequently, the actual performance of CAC may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to, the following factors, as well as other factors described from time to time in the Company's reports filed with the Securities and Exchange Commission (including the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained therein):

- the ability to satisfy the conditions to the closing with respect to the Contemplated Transaction, including receipt of required regulatory approvals;
- the purchase of Harrah's New Orleans may not be consummated on the terms contemplated or at all;
- the ability to timely and cost-effectively integrate companies that CGP LLC acquires into its operations, including the Acquired Properties;
- construction factors, including delays, increased costs of labor and materials, availability of labor and materials, zoning issues, environmental restrictions, soil and water conditions, weather and other hazards, site access matters, and building permit issues, including construction of The Cromwell and the renovation of The Quad;
- CAC and CGP LLC's dependence on Caesars Entertainment and its subsidiaries to provide support and services, as well as CGP LLC's dependence on Caesars Entertainment's senior management's expertise and its participation in Caesars Entertainment's Total Rewards loyalty program;
- the effects of a default by Caesars Entertainment on certain debt obligations;
- Caesars Entertainment's interests may conflict with CGP LLC's interests and may possibly keep all potential development opportunities for itself;
- the adverse effects if Caesars Entertainment or any of its subsidiaries were to file for bankruptcy;
- the effects if a third-party successfully challenges Caesars Entertainment or its affiliates ownership of, or right to use, the intellectual property owned or used by subsidiaries of Caesars Entertainment, which CGP LLC, CIE and the Acquired Properties license for use in their respective businesses;

- CIE's reliance on subsidiaries of Caesars Entertainment to obtain online gaming licenses in certain jurisdictions, such as New Jersey;
- the adverse effects on CAC's ability to comply with certain obligations imposed by federal securities law and certain debt arrangements if it is determined that Deloitte & Touche LLP ("Deloitte") was not independent of Caesars Entertainment or CGP LLC;
- the difficulty of operating CGP LLC's business separately from Caesars Entertainment and managing that process effectively could take up a significant amount of management's time;
- CGP LLC's business model and short operating history;
- CGP LLC's ability to realize the anticipated benefits of current or potential future acquisitions, including the transactions as described in Item 1 - Business of our Annual Report on Form 10-K for the year ended December 31, 2013, and the ability to timely and cost-effectively integrate assets, including the properties recently acquired as well as those yet to be acquired in connection with the Contemplated Transaction, and companies that CGP LLC acquires into its operations;
- the additional capital that CGP LLC may require to complete the consummation of the Contemplated Transaction and support business growth may not be available on acceptable terms;
- the adverse effects of extensive governmental regulation and taxation policies, which are applicable to CGP LLC, are enforced;
- the effects of local and national economic, credit and capital market conditions on the economy in general, and on the gaming industry in particular;
- the sensitivity of CAC's business to reductions in discretionary consumer spending;
- the rapidly growing and changing industry in which CGP LLC operates, such as CIE's social and mobile games business and internet gaming business;
- any failure to protect CGP LLC's trademarks or other intellectual property, such as CIE's ownership of the WSOP trademark;
- abnormal gaming holds ("gaming hold" is the amount of money that is retained by the casino from wagers by customers);
- the effects of competition, including locations of competitors and operating and market competition, particularly the intense competition Planet Hollywood faces from other hotel casino resorts in Las Vegas and Horseshoe Baltimore will face from other regional casinos and resorts;
- the uncertainty surrounding whether CIE's games, such as *Slotomania*, will retain their popularity;
- CIE's ability to launch new games on new and emerging platforms;
- CIE's reliance on a small portion of its total players for nearly all of its revenue from its social and mobile games;
- CAC's ability to expand into international markets in light of additional business, regulatory, operational, financial and economic risks associated with such expansion;
- evolving regulations concerning the social and mobile games industry as well as data privacy, including, but not limited to, the effect of U.S. and foreign laws, some of which are unsettled and still developing;
- the low barriers to entry and intense competition of social and mobile games industry could have adverse effect on CIE and CGP LLC;
- evolving U.S. and foreign laws could subject CIE to claims and prevent CIE from providing its current games to players or to modify its games;
- the effect on CGP LLC's business strategy if real money online poker is not legalized in states other than Delaware, Nevada or New Jersey in the United States or is legalized in an unfavorable manner;
- construction factors, including delays, increased costs of labor and materials, availability of labor and materials, zoning issues,

environmental restrictions, soil and water conditions, weather and other hazards, site access matters and building permit issues; and

- political and economic uncertainty created by terrorist attacks and other acts of war or hostility.

Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made. CAC disclaims any obligation to update the forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated or, if no date is stated, as of the date of this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

CAESARS ACQUISITION COMPANY

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, currency exchange rates and commodity prices. As CAC will only hold an investment in CGP LLC accounted for using the HLBV form of the equity method of accounting, we do not believe that CAC has significant market risk exposure.

CAC does not purchase or hold any derivative financial instruments for hedging or trading purposes.

CAESARS GROWTH PARTNERS, LLC

CGP LLC's primary exposure to market risk is related to interest rate risk associated with its investments. CGP LLC's investment in debt securities which are classified as available for sale and reported at fair value includes investments in notes issued by a subsidiary of Caesars Entertainment. As these investments are not diversified across industries or companies, CGP LLC is subject to a significant concentration of credit risk.

Planet Hollywood has an interest rate cap agreement for a notional amount of \$501.4 million at a LIBOR cap rate of 7.0%, which matures on April 9, 2015. Caesars Interactive has an unsecured credit facility with Caesars Entertainment with an outstanding balance of \$39.8 million at a rate of LIBOR plus 5%, which matures on November 29, 2016. Assuming a constant outstanding balance for our variable rate debt with both third parties and with related parties, a hypothetical 1% increase in interest rates would increase interest expense for the next twelve months by \$5.2 million. At March 31, 2014 , the weighted average USD LIBOR rate on our variable rate debt was 0.18%. A hypothetical reduction of this rate to 0% would decrease interest expense for the next twelve months by \$0.8 million.

CGP LLC does not purchase or hold any derivative financial instruments for trading purposes.

CGP LLC generates a significant portion of its social and mobile games revenue outside the United States. Foreign currency transaction gains and losses were not material to CGP LLC's or Predecessor Growth Partners' results of operations for the first quarter of 2014 and 2013. For the first quarter of 2014 and 2013, \$0.1 million of loss and \$0.1 million of gain, respectively, was recognized in foreign currency transactions associated with social and mobile games revenues generated in currencies other than U.S. dollars. CGP LLC's exposure to this foreign currency exchange risk is minimized by the relatively short payment cycles, which is typically every two weeks for payments from Facebook and monthly for payments from Apple.

CGP LLC's other foreign currency risk primarily relates to the operating expenses of CIE's offices in Montreal, Tel Aviv, Belarus, the Ukraine, and the UK. In addition, CGP LLC has currency risk associated with certain license agreements denominated in currencies other than U.S. dollars. In the aggregate, expenses related to operating non-U.S. offices and revenues earned under all non-U.S. dollar denominated agreements were not material to CGP LLC and Predecessor Growth Partners' results for the periods presented.

Item 4. Controls and Procedures

Our principal executive officer and principal financial officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act")), as of March 31, 2014, including controls and procedures to timely alert management to material information relating to the Company required to be included in our periodic SEC filings. Based on such evaluation, they have concluded that, as of such date, our disclosure controls and procedures were effective.

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

There have been no material changes in our legal proceedings from those described in "Legal Proceedings" disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013 except as described below.

Letter from CEOC Second Lien Noteholders

On March 21, 2014, CAC, CGP LLC, Caesars Entertainment, Caesars Entertainment Operating Company, Inc. ("CEOC") and Caesars Entertainment Resort Properties, LLC ("CERP") received a letter (the "Second Lien Holders' Letter") from a law firm acting on behalf of unnamed clients who claim to hold Second-Priority Secured Notes of CEOC, alleging, among other things, that CEOC is insolvent and that CEOC's owners improperly transferred or seek to transfer valuable assets of CEOC to affiliated entities in connection with: (a) the transaction agreement dated October 21, 2013 by and among Caesars Entertainment, certain subsidiaries of Caesars Entertainment and CEOC, CAC and CGP LLC, which, among other things, provide for the asset transfers from subsidiaries of CEOC to CGP LLC of the Planet Hollywood Resort & Casino and interests in Horseshoe Baltimore that was consummated in 2013 (the "2013 CGP Transaction"); (b) the transfer by CEOC to CERP of Octavius Tower and the Linq that was consummated in 2013; (c) the transfers by CEOC to CGP LLC of The Cromwell, The Quad, and Bally's Las Vegas (together, the "Acquired Properties Transaction"); and (d) the contemplated transfer of Harrah's New Orleans (the "Contemplated Transaction"). The Second Lien Holders' Letter does not identify the holders or specify the amount of Second-Priority Secured Notes or other securities that they may hold. The Second Lien Holders' Letter includes allegations that these transactions constitute or will constitute voidable fraudulent transfers and represent breaches of alleged fiduciary duties owed to CEOC creditors and that certain disclosures concerning the transactions were inadequate. The Second Lien Holders' Letter demands, among other things, that the transactions be rescinded or terminated, as would be applicable.

CAC, CGP LLC, Caesars Entertainment, CEOC and CERP strongly believe there is no merit to the Second Lien Holders' Letter's allegations and will defend itself vigorously and seek appropriate relief should any action be brought. If a court were to order rescission of the 2013 CGP Transaction, the Acquired Properties Transaction or enjoin consummation of the Contemplated Transaction, CGP LLC and Caesars Entertainment may have to return the properties and/or the assets transferred to CGP LLC in the 2013 CGP Transaction and the Acquired Properties Transaction, or their value, to Caesars Entertainment or CEOC, be forced to pay additional amounts therefor, or to take other actions ordered by the court. In addition, if the Contemplated Transaction were consummated and a court were to find that the transfer was improper, that could trigger a default under the CEOC's Senior Secured Credit Facilities and the Notes and a court could fashion a number of remedies, including declaring that the liens on the returned assets securing the CEOC's Senior Secured Credit Facilities and the Notes are not valid or enforceable, or that they may be equitably subordinated or otherwise impaired. These consequences could have a material adverse effect on CGP LLC's and the Company's business, financial condition, results of operations and prospects and on the ability of lenders and noteholders to recover on claims under the Senior Secured Credit Facilities and the Notes. See Item 1A. Risk Factors — Risks Related to Caesars Growth Partners, LLC's Business — We are or may become involved in legal proceedings that, if adversely adjudicated or settled, could impact our financial condition .

Letter from Holders of CEOC First Lien Debt

On April 3, 2014, a letter was sent to the boards of directors of Caesars Entertainment and CEOC (the "First Lien Holders' Letter") by a law firm claiming to act on behalf of unnamed parties who assert that they are lenders under CEOC's credit agreement and/or holders of CEOC's first-priority senior secured notes (collectively, the "First Lien Group"), alleging, among other things, that Caesars Entertainment and CEOC improperly transferred or seek to transfer assets of Caesars Entertainment and CEOC to affiliated entities in connection with: (a) the transaction agreement dated October 21, 2013 by and among Caesars Entertainment, certain subsidiaries of Caesars Entertainment and CEOC, CAC and CGP LLC, which, among other things, provides for the contributions by Caesars Entertainment and its subsidiaries to CGP LLC of Caesars Interactive Entertainment, Inc. ("CIE" or "Caesars Interactive") and \$1.1 billion face amount of CEOC's unsecured notes in exchange for non-voting interests of CGP LLC, and the asset transfers from subsidiaries of CEOC to CGP LLC of the Planet Hollywood Resort & Casino and interests in Horseshoe Baltimore that was consummated in 2013; (b) the transfer by CEOC to CERP of Octavius Tower and Project Linq that was consummated in 2013; (c) Acquired Properties Transaction consummated in 2014; and (d) the Contemplated Transaction and formation of Services JV among CEOC, CERP and the Company to provide certain centralized services, including but not limited to common management of enterprise-wide intellectual property (the "Contested Transactions"). The First Lien Holders' Letter asserts that the consideration received by Caesars Entertainment and CEOC in the Contested Transactions is inadequate, that Caesars Entertainment and CEOC were insolvent when the transactions were approved, that the Contested Transactions represented breaches of alleged fiduciary duties, that certain disclosures concerning the Contested Transactions were inadequate, and concerns about governance of CEOC. The First Lien Holders' Letter claims that the First Lien Group consists of holders of a total of more than \$1.85 billion of CEOC's first lien debt and that holders of an additional \$880.0 million of CEOC's first lien debt endorse and support the First Lien Holders' Letter but are not part of the

group. The First Lien Holders' Letter demands, among other things, rescission or termination of the Contested Transactions and requests a meeting with representatives of Caesars Entertainment and other parties to discuss these matters.

Caesars Entertainment and CEOC strongly believe there is no merit to the First Lien Holders' Letter's allegations and will defend themselves vigorously and seek appropriate relief should any action be brought. If a court were to order rescission or termination of the Contested Transactions, CGP LLC and its subsidiaries may have to return the assets transferred to CGP LLC in the Contested Transactions or their value to Caesars Entertainment or CEOC, be forced to pay additional amounts therefor, or to take other actions ordered by the court. In addition, if the Contemplated Transaction were consummated and a court were to find that the transfer was improper, that could trigger a default under the debt that CGP LLC is raising to finance such transfers and a court could fashion a number of remedies, including declaring that the liens on the returned assets securing such financing are not valid or enforceable, or that they may be equitably subordinated or otherwise impaired. Furthermore, a court could enjoin the consummation or order rescission of the Services JV transaction. These consequences could have a material adverse effect on CGP LLC's business, financial condition, results of operations and prospects. See Item 1A. Risk Factors — Risks Related to Caesars Growth Partners, LLC's Business — We are or may become involved in legal proceedings that, if adversely adjudicated or settled, could impact our financial condition .

Item 1A. Risk Factors

Risks Related to CGP LLC's Continued Dependence on Caesars Entertainment

The implementation of a new services joint venture is subject to regulatory and other approvals, which may be delayed or which may not be received.

In connection with the Amended Agreement described within Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations , Other Items of this Form 10-Q , we recently announced the expected formation of a new services joint venture, Services JV, the purpose of which includes the common management of intellectual property owned by CEOC. CEOC and CERP, each a wholly-owned subsidiary of Caesars Entertainment, and a subsidiary of CGP LLC will be members in Services JV, and, upon the implementation of Services JV, subsidiaries of CGP LLC are expected to rely on Services JV to provide them with intellectual property licenses and property management services, among other services. We and CGP LLC will not control Services JV, and in the event that our interests do not align with those of CEOC or CERP, the interests of CEOC or CERP may be met before ours. The implementation of Services JV's contemplated activities is subject to regulatory and other approvals, which may be delayed or which we may not receive.

The Property Management Agreements may also be assigned to Services JV subsequent to its implementation, and Services JV will thereafter perform the obligations of the Property Managers at each respective property. Before Services JV can be implemented and commence these activities, however, the formation of Services JV, entry by all parties into the Cross-License Agreement and the assignment of the Property Management Agreements must receive regulatory approvals. We cannot be sure when, or if, we will receive such approvals. In addition, while a term sheet has been agreed to that sets forth the purpose and the general scope of the agreements Services JV will enter into upon its implementation, the CEC Special Committee and CAC Special Committee must each approve the terms of the operating agreement that will govern Services JV as well as the terms of the Cross-License Agreement and assignment of the Property Management Agreements. Such approvals may delay the implementation of Services JV and its activities.

In the event that such approvals are significantly delayed or if we do not receive them, or if Services JV or the activities described above are delayed or are not implemented for any other reason, we will continue to rely on CEOC and its subsidiaries to provide us with licenses to necessary intellectual property, property management services and other various services. Services JV will be a joint venture in which a subsidiary of CGP LLC will have a minority interest but not control. Unlike Services JV, which is a joint venture in which a subsidiary of CGP LLC will have an ownership interest along with CEOC and CERP, we do not exercise any control over CEOC and cannot guarantee that it will protect our interests in continuing to provide these services. In addition, if CEOC or its subsidiaries were to become debtors operating under the protection of the Bankruptcy Code, they could exercise certain rights that would adversely affect our contractual rights and obligations related to the intellectual property licenses or property management services.

We do not control Services JV, and the interests of our co-investors may not align with our interests.

CEOC, CERP and a subsidiary of CGP LLC will be members of Services JV, and, upon the implementation of Services JV, each of us and our subsidiaries will rely on Services JV to provide us with intellectual property licenses and property management services, among other services. We expect that a subsidiary of CGP LLC, CEOC and CERP are each required to contribute as necessary to fund Services JV's operating costs and capital requirements in accordance with the terms of the operating agreement that will govern Services JV. We expect that the members of Services JV will be required to fund its capital expenditures on an annual basis. The amount we will be required to fund initially is subject to the review and approval of the CAC Special Committee and CEC Special Committee and in future years the amount, which may be greater, will be subject to

the review and approval of the Services JV steering committee. A subsidiary of CGP LLC, CEOC and CERP also control Services JV through its steering committee, which will be comprised of one representative from each of us, CEOC and CERP. In the event that our interests do not align with those of CEOC or CERP, the interests of CEOC or CERP may be met before ours. In addition, certain decisions by Services JV may not be made without unanimous consent of the members, including our consent. These actions include any decision with respect to liquidation or dissolution of Services JV, merger, consolidation or sale of all or substantially all the assets of Services JV, usage of Services JV assets in a manner inconsistent with the purposes of Services JV, material amendment to Services JV's operating agreement, admission of new investors to Services JV and filing of any bankruptcy or similar action by Services JV. Thus, any member of Services JV may block certain actions by Services JV that are in our interest.

CGP LLC is dependent on the expertise of Caesars Entertainment's senior management, who may not be directly invested in CGP LLC's success, which may have an adverse effect on CGP LLC and/or CAC's business, financial condition and operating results.

CGP LLC relies a great deal on the expertise and guidance of Caesars Entertainment's senior management who do not receive direct compensation from CGP LLC. As a result, Caesars Entertainment's senior management may devote substantially less time to the business and operations of CGP LLC than were they to be employed by CGP LLC. Senior management that is not invested in the success of CGP LLC's business may have an adverse effect on CGP LLC and/or CAC's business, financial condition and operating results.

Loss of the services of any key personnel from Caesars Entertainment could have a material adverse effect on the business of CGP LLC.

The leadership of Caesars Entertainment's chief executive officer, Mr. Gary Loveman, and other executive officers, has been a critical element of Caesars Entertainment's success. The advisory and management services provided to CGP LLC depend on these key executive officers. The death or disability of Mr. Loveman or other extended or permanent loss of his services, or any negative market or industry perception with respect to him or arising from his loss, could have a material adverse effect on CGP LLC's business. Caesars Entertainment's other executive officers and other members of senior management have substantial experience and expertise in the casino and online entertainment business. The unexpected loss of services of one or more of these individuals could also adversely affect CGP LLC. CGP LLC is not protected by key man insurance or similar life insurance covering members of Caesars Entertainment's senior management, nor does CGP LLC have employment agreements with any of Caesars Entertainments executive officers.

A default by Caesars Entertainment on certain of its debt obligations could adversely affect CGP LLC's business, financial condition and operating results.

Caesars Entertainment is a highly leveraged company and has pledged a significant portion of its assets and the assets of its subsidiaries as collateral under certain of its debt obligations, including the trademarks for which CIE has licensed the right to use, including "Caesars", "Total Rewards" and "Harrah's". The stock of CEOC is also pledged to secure these debt obligations. If Caesars Entertainment or its subsidiaries were to default on these obligations, its lenders could exercise significant influence over CGP LLC's business. CGP LLC is dependent on a number of services from Caesars Entertainment, CEOC, and other subsidiaries of Caesars Entertainment, pursuant to the CGP Management Services Agreement and CIE's Shared Services Agreement. If Caesars Entertainment and/or its subsidiaries file for bankruptcy protection under the U.S. bankruptcy code, their filing may materially and adversely affect CGP LLC's assets and operations. For example, in the event of a default by Caesars Entertainment, its lenders or their successors may elect to reject the CGP Management Services Agreement as an executory contract in a bankruptcy proceeding. Furthermore, in the event of such a default, Caesars Entertainment's lenders also may seek to reject CIE's cross marketing and trademark license agreement with Caesars Entertainment in connection with a bankruptcy proceeding and, as a result, CIE would no longer have licenses to use certain trademarks owned by Caesars Entertainment or its subsidiaries. The result of this influence and any related disruption in CGP LLC's business could have a material adverse effect on CGP LLC's business, financial condition and operating results.

The value of the CEOC Notes held by CGP LLC would be impaired in the event of a default by Caesars Entertainment on certain of its debt obligations and such impairment could adversely affect the market price of our Class A common stock.

Caesars Entertainment is a highly leveraged company and has significant obligations for interest payments and restrictions due to its indebtedness. If Caesars Entertainment or CEOC is unable to pay the interest when due under their outstanding indebtedness, or otherwise defaults on their debt obligations, the value of the CEOC Notes held by CGP LLC would be impaired. Because the CEOC Notes constitute a significant portion of the value of CGP LLC, an impairment in the value of the CEOC Notes could adversely affect the market price of our Class A common stock.

CGP LLC has an obligation to give a right of first refusal for any development opportunities to Caesars Entertainment, but Caesars Entertainment has no obligation to give any development opportunities to CGP LLC. Caesars Entertainment may keep all potential development opportunities for itself. CGP LLC would need to rely on a separate party to pursue any opportunities without the approval and assistance of Caesars Entertainment.

CGP LLC is required to first provide any potential development opportunities to Caesars Entertainment to be considered by a committee of the Caesars Entertainment board of directors comprised of disinterested directors. CGP LLC can only proceed with such investment or opportunity to the extent such Caesars Entertainment committee declines the opportunity for itself or CEOC. If the committee provides an opportunity to CGP LLC, we expect that CGP LLC will retain a 50% interest in the management fee to be received by Caesars Entertainment, unless otherwise agreed. However, because each opportunity will be negotiated as a separate transaction, there can be no assurances that CGP LLC and Caesars Entertainment will share equally (or that CGP LLC will share at all) in the management fee. If the committee does not provide the opportunity to CGP LLC, the committee can also decide to keep the opportunity for Caesars Entertainment. No assurances can be provided that the committee will ever provide an opportunity to CGP LLC.

Although certain employees of each of Apollo Global Management, LLC ("Apollo") and of TPG Global, LLC ("TPG" and, together with Apollo, the "Sponsors") are on the boards of directors of Caesars Entertainment and CAC, the certificates of incorporation of both companies provide that neither the Sponsors nor directors have any obligation to present any corporate opportunity to Caesars Entertainment or CAC. Accordingly, the Sponsors may pursue gaming, entertainment or other activities outside of Caesars Entertainment or CAC and have no obligation to present such opportunity to Caesars Entertainment or CAC; however, if any choose to present such opportunity to Caesars Entertainment or CAC, then such opportunity must follow the rights of first offer.

If the committee declines an opportunity altogether and CGP LLC pursues the opportunity without the support of Caesars Entertainment, CGP LLC will be required to identify and obtain the necessary services from a third-party. No assurances can be provided that CGP LLC will be able to find a third-party to pursue an opportunity without Caesars Entertainment and any services provided may be more expensive than, or of lesser quality than, those that are provided by Caesars Entertainment, and as a result, could have a material adverse impact on the success of the opportunity.

Caesars Entertainment's interests may conflict with CGP LLC's interests.

The interests of Caesars Entertainment could conflict with CGP LLC's interests. Caesars Entertainment is in a casino and entertainment business similar to CGP LLC and may, from time to time in the future, pursue for itself acquisitions that would be complementary to CGP LLC's business, in which case, and as a result, those acquisition opportunities would not be available to us. Without access to acquisition opportunities, CGP LLC will be limited in growing its business.

The success of CGP LLC's business depends in part on its continued participation in Caesars' Total Rewards loyalty program. If CIE, Planet Hollywood and the Acquired Properties are, and Horseshoe Baltimore and Harrah's New Orleans will be, unable to access the Total Rewards loyalty program database, it could have a material adverse impact on CGP LLC's business.

The success of CGP LLC's business depends in part on its ability to direct targeted marketing efforts to important casino, online-gaming and hospitality customers. The ability of CGP LLC's business to undertake those marketing efforts depends to a significant extent on its continued participation in the Total Rewards loyalty program owned and maintained by Caesars Entertainment and following its implementation, licensed to Services JV. In connection with this program, CIE, the Acquired Properties and Planet Hollywood can, and Horseshoe Baltimore and Harrah's New Orleans will be able to, develop information which allows them to track casino play and award complimentaries and other promotional opportunities to their customers. Complimentaries and other similar rewards are customarily offered by casino and gaming facilities to their customers and are important incentives to those customers. If CIE, Planet Hollywood, Horseshoe Baltimore, the Acquired Properties and, if acquired, Harrah's New Orleans are unable to access the Total Rewards loyalty program database, it could have a material adverse impact on CGP LLC's business. Participation in the Total Rewards loyalty program is one of our competitive strengths and our business and growth strategy are, in part, based on tracked play and targeted marketing efforts.

In the past, the removal of the Total Rewards loyalty program from a casino property has resulted in negative impacts on such property's financial results. Similarly, if we are unable to access the Total Rewards loyalty program database, we expect our annual revenue would decline, which could have a material adverse impact on our business and results of operations.

CIE licenses its right to use and sublicense various trademarks and service marks from Caesars Entertainment and certain of its affiliates. Accordingly, if a third-party successfully challenges Caesars Entertainment or its affiliates' ownership of, or right to use, the Caesars-related marks or if CIE is unable to stop unauthorized use of such marks, or if Caesars Entertainment or its affiliates use such marks in a way that negatively impacts the value of such marks, CIE's, and therefore CGP LLC's, business or results of operations could be harmed.

CIE has licensed the right to use certain trademarks and service marks owned or used by various affiliates of Caesars Entertainment, including Caesars World, Inc., Caesars License Company, LLC and CEOC. These licensed trademarks and service marks include, among others, "Caesars," "Harrah's" and "Total Rewards." CIE's rights to use these trademarks and service marks are among its most valuable assets.

If the existing licensing arrangements were terminated and CIE fails to enter into new arrangements in respect of these marks, CIE could lose its rights to use these marks and the corresponding domain names, which could have a material adverse effect on its business, financial condition and operating results. If a third-party successfully challenges Caesars Entertainment or its affiliates' ownership of, or right to use, these marks (including, for example, due to Caesars Entertainment or its affiliates' failure to file for protection of such marks), such a challenge could also have a material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and operating results. Furthermore, if any of the entities from whom CIE licenses the right to use such marks enters into a bankruptcy proceeding, its rights to use some or all of such marks could be terminated, which could also have a material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and operating results.

In addition, these trademarks and service marks are used by Caesars Entertainment and its affiliates around the United States and internationally. Any negative events associated with the use of these marks by Caesars Entertainment or its affiliates may be out of CGP LLC's control, and may negatively impact the "Caesars", "Harrah's" or "Total Rewards" brands, which could harm CIE's, and therefore CGP LLC's, business and results of operations.

Failure by CEOC and its subsidiaries to protect the trademarks, technology and other intellectual property that we use could have a negative impact on the value of our brand names and adversely affect our business. In addition, CEOC and its subsidiaries may have the right to limit the expansion of scope or usage of our intellectual property.

We currently license from CEOC and its subsidiaries (and will sublicense from Services JV upon the implementation of Services JV and execution of the Cross-License Agreement), intellectual property and technology material to our overall business strategy, and we regard such intellectual property and technology to be an important element of our success. We rely on CEOC and its subsidiaries to seek to establish and maintain proprietary rights in such intellectual property and technology through the use of patents, copyrights, trademarks and trade secret laws. In addition, we rely on CEOC and its subsidiaries to maintain the trade secrets and confidential information licensed to us by nondisclosure policies and through the use of appropriate confidentiality agreements. Despite these efforts to protect the proprietary rights on which we rely, parties may infringe such intellectual property and use licensed information and technology that we regard as proprietary and our rights may be invalidated or unenforceable. Monitoring the unauthorized use of our licensed intellectual property and technology is difficult. Litigation by CEOC and its subsidiaries or Services JV, as applicable, may be necessary to enforce the intellectual property rights and other rights on which we rely or to determine the validity and scope of the proprietary rights of others. Litigation of this type could result in substantial costs and diversion of resources. We cannot assure you that all of the steps that we, CEOC and its subsidiaries or Services JV have taken or will take to protect the licensed trademarks that we use in the United States will be adequate to prevent imitation of such trademarks by others. The unauthorized use or reproduction of the trademarks that we use could diminish the value of our brand and our market acceptance, competitive advantages or goodwill, which could adversely affect our business. In addition, the expansion of the scope or use of our intellectual property licensed from CEOC or Services JV, as applicable, in many cases is subject to the consent of CEOC or Services JV. Accordingly, we may not be able to take advantage of new applications or uses of our trade names, trademarks or other intellectual property without the consent of CEOC or Services JV, which may adversely affect our ability to compete or expand our business scope.

CIE may be reliant on Caesars Entertainment to obtain online gaming licenses in many commercial jurisdictions and if the affiliation is terminated, or costs to maintain such affiliation exceed revenue generated from such affiliation, it would adversely affect CIE's, and therefore CGP LLC's, business and result of operations.

Nevada, Delaware and New Jersey have enacted laws that require online casinos to also have a license to operate a brick-and-mortar casino, either directly or indirectly through an affiliate. If, like Nevada, Delaware and New Jersey, other U.S. jurisdictions enact legislation legalizing real money casino gaming subject to this brick-and-mortar requirement, CIE may be unable to offer online real money gaming in such jurisdictions if CIE does not have or is unable to establish an affiliation with a brick-and-mortar casino in such jurisdiction. If CIE is able to offer online real money gaming in such jurisdictions because of CIE's affiliation with Caesars Entertainment, CIE will be reliant on continuing its relationship with Caesars Entertainment, and there can be no assurances that Caesars Entertainment will continue to maintain such affiliation. If CIE's affiliation with Caesars

Entertainment is terminated or the costs to maintain such affiliation exceed revenue generated from online real money gaming, it would adversely affect CIE's, and therefore CGP LLC's, business and result of operations.

A bankruptcy court may conclude that each of the transactions as described in Item 1 - Business of our Annual Report on Form 10-K for the year ended December 31, 2013, the Acquired Properties Transaction or the Contemplated Transaction constitutes a financing rather than a true sale and as a result we would no longer have ownership and control over assets sold or contributed to CGP LLC to the same extent as we do now.

For the quarter ended March 31, 2014 and 2013, Caesars Entertainment and its consolidated subsidiaries reported a net loss of \$382.8 million and \$216.7 million, respectively, and CEOC and its consolidated subsidiaries separately reported a net loss of \$490.8 million and \$251.7 million, respectively. Furthermore, Caesars Entertainment and its consolidated subsidiaries, as well as CEOC and its consolidated subsidiaries, have reported significant net losses during the past three fiscal years. In a bankruptcy of Caesars Entertainment or any of its subsidiaries that sold or contributed assets to CGP LLC, including CEOC, the court may conclude that each of the transactions as described in Item 1 - Business of our Annual Report on Form 10-K for the year ended December 31, 2013, the Acquired Properties Transaction or the Contemplated Transaction constitutes a disguised financing rather than a true sale. In such case, the court would deem CGP LLC's assets as belonging to Caesars Entertainment, and consider us to be a lender to Caesars Entertainment or its subsidiaries to the extent of the purchase price CGP LLC paid for those assets. While we should have a claim against Caesars Entertainment and its subsidiaries for the amounts paid to them for the assets, we would no longer have ownership and control over the assets to the same extent as we do now. Moreover, if our claim against Caesars Entertainment and its subsidiaries is considered a financing, no guaranty exists that our claim will be deemed a secured claim entitled to a priority right of repayment from the assets, rather than a general unsecured claim against Caesars Entertainment's bankruptcy estate that shares pro rata with other creditors in any recovery from the residual value of the bankruptcy estate. Finally, a risk exists that any such claim might be primed in favor of a debtor-in-possession financing, or that the court might equitably subordinate our claim to those of other creditors, recharacterize the claim as equity or otherwise not allow the claim (including on equitable grounds).

A bankruptcy court may substantively consolidate the bankruptcy estates of Caesars Entertainment and its debtor subsidiaries with CGP LLC, which would, among other things, allow the creditors of the bankrupt entities to satisfy their claims from the combined assets of the consolidated entities, including CGP LLC.

Even though CGP LLC has certain bankruptcy remote features that restrict its ability to file for bankruptcy relief, there can be no assurance that a bankruptcy court will not direct CGP LLC's or any of its subsidiaries' substantive consolidation with Caesars Entertainment or a subsidiary of Caesars Entertainment in a bankruptcy case of Caesars Entertainment or such subsidiary even if CGP LLC or its subsidiaries do not themselves file a bankruptcy petition. CGP LLC's or its subsidiaries' substantive consolidation with Caesars Entertainment or its subsidiaries in their bankruptcy cases would, among other things, allow the creditors of the bankrupt entities to satisfy their claims from the combined assets of the consolidated entities, including CGP LLC and its subsidiaries. This may dilute the value of distributions available for recovery to CGP LLC's creditors, and may prevent recovery by our stockholders of any value at all if the combined creditor claims exceed the combined value of the entities. In addition, substantive consolidation with Caesars Entertainment or its subsidiaries' bankruptcies may subject our assets and operations to the automatic stay, and may impair CGP LLC's ability to operate independently, as well as otherwise restrict our operations and capacity to function as a standalone enterprise.

A Caesars Entertainment or CEOC bankruptcy filing might trigger an independent investigation of the transactions as described in Item 1 - Business of our Annual Report on Form 10-K for the year ended December 31, 2013, the Acquired Properties Transaction or the Contemplated Transaction, and expose our and CGP LLC's contractual relationships with Caesars Entertainment and its subsidiaries to heightened scrutiny.

If Caesars Entertainment or its subsidiaries, including CEOC, file for bankruptcy relief, it may result in an independent investigation of the transactions as described in Item 1 - Business of our Annual Report on Form 10-K for the year ended December 31, 2013, the Acquired Properties Transaction or the Contemplated Transaction, including the formation of Services JV. For example, a trustee or examiner may be appointed in the Caesars Entertainment bankruptcy case with the power to investigate the Transactions and the Asset Purchase Transaction and determine, with the benefit of hindsight, whether such transactions overall, and their constituent parts (including the formation of Services JV), were fair and equitable and otherwise beneficial to Caesars Entertainment or any bankrupt subsidiary. Additionally, any committees appointed in such bankruptcy case could conduct a similar investigation. Any such investigations may impose significant costs and expense on us and CGP LLC, and may divert management from its ability to conduct our business. In addition, we would expect that stakeholders of Caesars Entertainment and its subsidiaries, including any committee appointed in such bankruptcy cases, would re-evaluate all of our and CGP LLC's contractual and business relationships with Caesars Entertainment and its subsidiaries, and with Services JV. This may result in materially altered terms and conditions that may be economically unfavorable to investors in CAC, and may divert significant management resources.

We may be subject to fraudulent transfer litigation that may require us to return the assets acquired in the transactions as described in Item 1 - Business of our Annual Report on Form 10-K for the year ended December 31, 2013 and the Asset Purchase Transaction, or their value, to Caesars Entertainment and its subsidiaries.

Creditors of Caesars Entertainment and its subsidiaries may sue us and/or CGP LLC under state or federal bankruptcy law in an effort to recover, for their benefit, the assets we acquired in the transactions as described in Item 1 - Business of our Annual Report on Form 10-K for the year ended December 31, 2013 and the Asset Purchase Transaction as fraudulent transfers. As a general matter, fraudulent transfer law allows a creditor to recover assets, or their value, from an initial or subsequent transferee if the debtor conveyed the assets with an actual intent to hinder, delay or defraud its creditors, or if the transfer was a constructive fraud. A constructive fraud exists even in the absence of an actual intent to defraud creditors. The principal elements of a constructive fraud are a transfer, made while a debtor was insolvent or that rendered a debtor insolvent, for less than reasonably equivalent value or fair consideration or that left the debtor with less than sufficient capital with which to conduct its business. A court may "collapse" the component steps of the restructuring into a single set of integrated transactions to determine whether the restructuring overall effected a fraudulent transfer. If we and/or CGP LLC are subject to a fraudulent transfer lawsuit, we may have to return the assets or their value to Caesars Entertainment and its subsidiaries or be forced to pay additional amounts therefor.

For example, on March 21, 2014, CEC, CEOC, CERP, CAC and CGP LLC received a letter from a law firm acting on behalf of unnamed clients who claim to hold second-priority secured notes of CEOC, alleging, among other things, that CEOC is insolvent and that CEOC's owners improperly transferred or seek to transfer valuable assets of CEOC to affiliated entities in connection with: (a) the transaction agreement dated October 21, 2013 by and among CEC, certain subsidiaries of CEC and CEOC, CAC and CGP LLC, which, among other things, provide for the asset transfers from subsidiaries of CEOC to CGP LLC of the Planet Hollywood casino and interests in the Maryland Joint Venture that was consummated in 2013; (b) the transfer by CEOC to CERP of Octavius Tower and Project Linq that was consummated in 2013; (c) the transfers by CEOC to CGP LLC of The Cromwell, The Quad, and Bally's Las Vegas (together, the "Acquired Properties"); and (d) the contemplated transfer of Harrah's New Orleans (the "Contemplated Transaction"). The letter included allegations that these transactions constitute or will constitute voidable fraudulent transfers and represent breaches of alleged fiduciary duties owed to CEOC creditors and that certain disclosures concerning the transactions were inadequate, and demanded, among other things, that the transactions be rescinded or terminated, as would be applicable.

On April 3, 2014, another letter was sent to the boards of directors of CEC and CEOC by a law firm claiming to act on behalf of unnamed parties who assert that they are lenders under CEOC's credit agreement and/or holders of CEOC's first-priority senior secured notes, alleging, among other things, that CEC and CEOC improperly transferred or seek to transfer assets of CEC and CEOC to affiliated entities in connection with: (a) the transaction agreement dated October 21, 2013 by and among CEC, certain subsidiaries of CEC and CEOC, CAC and CGP LLC, which, among other things, provides for the contributions by CEC and its subsidiaries to CGP LLC of CIE and \$1.1 billion face amount of CEOC's unsecured notes in exchange for non-voting interests of CGP LLC, and the asset transfers from subsidiaries of CEOC to CGP LLC of the Planet Hollywood casino and interests in Maryland Joint Venture that was consummated in 2013; (b) the transfer by CEOC to CERP of Octavius Tower and Project Linq that was consummated in 2013; (c) the Acquired Properties; and (d) the Contemplated Transaction and formation of a new services joint venture among CEOC, CERP and CGP LLC to provide certain centralized services, including but not limited to common management of enterprise-wide intellectual property (the "Contested Transactions"). The letter asserted that the consideration received by CEC and CEOC in the transactions contemplated above is inadequate, that CEC and CEOC were insolvent when the transactions were approved, that the transactions contemplated above represented breaches of alleged fiduciary duties, that certain disclosures concerning the transactions contemplated above were inadequate and concerns about governance of CEOC. The letter demands, among other things, rescission or termination of the transactions contemplated above and requests a meeting with representatives of CEC and other parties to discuss these matters.

CAC and CGP LLC have been advised that CEC and CEOC strongly believe there is no merit to the letters' allegations and will defend themselves vigorously and seek appropriate relief should any action be brought. If a court were to order rescission or termination of such transactions, that could cause CEOC, CERP and Planet Hollywood to default under existing debt agreements, and there can be no assurance that CEOC's, CERP's or Planet Hollywood's assets would be sufficient to repay the applicable debt. In addition, if the contemplated transfers were consummated and a court were to find that those transfers were improper, that could trigger a default under the debt that CGP LLC is raising to finance such transfers. These consequences could have a material adverse effect on our business, financial condition, results of operations and prospects.

Services JV may be subject to fraudulent transfer or other litigation that may result in its unwinding, or its licensing agreements with CEOC may otherwise be rescinded or terminated.

Creditors of Caesars Entertainment, CEOC and their subsidiaries may commence an action against Services JV under state or federal bankruptcy law in an effort to rescind, avoid or otherwise terminate, for their benefit, the licensing agreements CEOC entered into with Services JV. Alternatively, if Caesars Entertainment, CEOC or their subsidiaries file bankruptcy, they may reject their licensing agreements with Services JV. If Services JV can no longer enforce such licensing agreements, it may

be unable to perform under its licensing agreements with CGP LLC and its subsidiaries. As a result, among other things, CGP LLC and its subsidiaries may no longer have access to the Total Rewards loyalty program and may no longer be able to use certain intellectual property, such as the Caesars trademark, which could have a material adverse effect on CAC and CGP LLC's business, financial condition and operating results.

Our operations depend on material contracts with third parties, including Caesars Entertainment, the continued enforcement of which may be adversely impacted by a bankruptcy of Caesars Entertainment or, upon its formation, Services JV.

If Caesars Entertainment, CEOC, subsidiaries of CEOC that manage CGP LLC's properties or other third parties with whom we have entered into material contracts with were to become debtors operating under the protection of the Bankruptcy Code, they could exercise certain rights that would adversely affect our contractual rights and obligations. A debtor operating under the protection of the Bankruptcy Code may exercise certain rights that may adversely affect our contractual relations and ability to participate in the Caesars Entertainment system. For example, the protection of the statutory automatic stay which arises by operation of section 362 of the Bankruptcy Code upon the commencement of a bankruptcy case would prohibit us from terminating a contract with Caesars Entertainment or any of its debtor subsidiaries, and upon its formation, a bankruptcy of Services JV. The Bankruptcy Code also invalidates clauses that permit the termination of contracts automatically upon the filing by one of the parties of a bankruptcy petition or which are conditioned on a party's insolvency. Meanwhile in this circumstance, we would ordinarily be required to continue performing our obligations under such agreement. As a practical matter, legal proceedings to obtain relief from the automatic stay and to enforce rights to payments or terminate agreements can be time consuming, costly and uncertain as to outcome.

In addition, under section 365 of the Bankruptcy Code, a debtor may decide whether to assume or reject an executory contract, including the CGP Management Services Agreement, the management contracts for Planet Hollywood, Horseshoe Baltimore, the Acquired Properties and Harrah's New Orleans, the shared service agreement with CIE or the CGP Operating Agreement, or upon its formation, any licensing agreement with Services JV. Assumption of a contract would permit the debtor to continue operating under the assumed contract; provided that the debtor (i) immediately cures all existing defaults thereunder or provides adequate assurance that such defaults will be promptly cured, (ii) compensates the non-debtor party for any actual monetary loss incurred as a result of the debtor's default or provides adequate assurance that such compensation will be forthcoming and (iii) provides the non-debtor party with adequate assurance of future performance under the contract. As a general matter, a bankruptcy court approves a debtor's assumption of a contract as long as assumption appears to be in the best interest of the debtor's estate, the debtor is able to perform and it is a good business decision to assume the contract. Subject to bankruptcy court approval and satisfaction of the "business judgment" rule, a debtor in chapter 11 may reject an executory contract, and rejection of an executory contract in a chapter 7 case may occur automatically by operation of law. If a debtor rejects an executory contract, the non-debtor party to the contract generally has an unsecured claim against the debtor's bankruptcy estate for breach of contract damages arising from the rejection. On request of any party to such contract, a bankruptcy court may order the debtor to determine within a specific period of time whether to assume or reject an executory contract.

Further, Caesars Entertainment or any of its subsidiaries, as debtors, or upon its formation, Services JV, as a debtor, may seek bankruptcy court approval to assume material contracts, including among others, the CGP Management Services Agreement or other valuable license agreements under section 365 of the Bankruptcy Code and may also seek to assign such agreement to a third-party. A debtor may also seek to reject such contracts. If Caesars Entertainment or an applicable debtor subsidiary, or upon its formation, Services JV rejects the CGP Management Services Agreement or other license agreements, we may no longer have access to the operational support and management expertise provided by Caesars Entertainment and its subsidiaries, or upon its formation, Services JV, with the result that we may lack sufficient support to manage our operations, and may no longer be able to use certain licensed intellectual property, such as certain trademarks.

In addition, Caesars Entertainment, as a debtor, may attempt to reject the CGP Operating Agreement as an executory contract. This might affect our continued existence, and other corporate governance rights. It may also relieve Caesars Entertainment from performing its obligations under CGP LLC's limited liability company agreement, including honoring its obligations under the liquidation right and call right.

In a bankruptcy of CEOC, CEOC could attempt to transfer licensed trademarks and copyrighted materials licensed to CGP LLC or Services JV to a purchaser and/or seek to reject any related license.

Upon the implementation of Services JV, we will rely on the Cross-License Agreement among us, CEOC, Services JV and others in order to use Caesars Entertainment's and its subsidiaries' brand names, such as "Harrah's," "Bally's" and "Total Rewards." These brand names have global recognition and attract customers to CGP LLC's properties. We would be adversely affected if the Cross-License Agreement were terminated.

If CEOC were to become a debtor in a case under the Bankruptcy Code, it (or a bankruptcy trustee if one is appointed) could seek to sell its trademarks and copyright assets in a bankruptcy case, free and clear of all interests of third parties such as

CGP LLC or Services JV, or could seek to reject the Cross-License Agreement as an executory contract, in each case, pursuant to the Bankruptcy Code.

Although Section 365(n) of the Bankruptcy Code gives a licensee of intellectual property, such as copyrighted materials, the ability to retain its rights under such license notwithstanding the bankrupt debtor's rejection of such license, Section 365(n) does not explicitly apply to licensees of trademarks. Because trademarks will be licensed under the Cross-License Agreement, there is a possibility that CEOC will be able to reject the Cross-License Agreement as an executory contract in bankruptcy, even if we try to assert, among other things, that it is not subject to rejection because it is not executory and/or claim protection under Section 365(n). If CEOC (or a bankruptcy trustee if one is appointed) is successful in rejecting the Cross-License Agreement in bankruptcy, we may no longer be able to use the valuable trademarks and other intellectual property licensed to us under the Cross-License Agreement. Such a course of action could have a material, adverse effect on CGP LLC's business, financial condition, results of operations and prospects and on CGP LLC's ability to pay outstanding principal of and interest on the Notes.

In addition, there can be no assurance that CEOC (or a bankruptcy trustee if one is appointed) would not attempt to sell the licensed trademarks and copyrighted materials licensed to CGP LLC, or Services JV, as applicable, free and clear of a licensee's rights under the Bankruptcy Code, which may adversely affect our ability to exploit and use such intellectual property assets. Such a course of action could cause actual results to differ materially and adversely from the projected financial information contained in this offering memorandum and have a material, adverse effect on CGP LCC's business, financial condition, results of operations and prospects and on CGP LCC's ability to pay outstanding principal of and interest on the Notes.

Claims of our stockholders and CGP LLC against Caesars Entertainment or its subsidiaries in a Caesars Entertainment bankruptcy might be equitably subordinated or disallowed.

Bankruptcy law allows the court to equitably subordinate claims to those of other creditors or equity holders based on inequitable conduct. A bankruptcy court may also recharacterize a claim for debt as equity, or not allow a claim for other reasons including on equitable grounds. Claims of insiders, including stockholders, are subject to heightened scrutiny and a court may find inequitable conduct in the form of overreaching or self-dealing transactions. If a claim is subordinated to those of other creditors or equity holders, or recharacterized as equity, the claim will likely receive no distribution from the bankruptcy estate unless the estate has enough assets to satisfy the non-subordinated creditors in full; a claim that is disallowed would not share in recoveries from the estate to the extent of such disallowance. The equitably subordinated or disallowed claim need not necessarily relate to the inequitable conduct. Therefore, a damages claim arising from the rejection of an executory contract may be subordinated or disallowed based on conduct wholly unrelated to the contractual relationship itself. Under these principles, should a court determine that they are triggered in a bankruptcy of Caesars Entertainment or its subsidiaries, claims of our stockholders and CGP LLC, including claims based on notes issued by Caesars Entertainment or CEOC or guarantees by Caesars Entertainment, may not share ratably with claims from other general unsecured creditors or may be disallowed.

The SEC's investigation of a retired Deloitte partner who was formerly the advisory partner on Deloitte's audit engagement for Caesars Entertainment could result in a determination that Deloitte was not independent of Caesars Entertainment, which could also affect Deloitte's independence as it relates to CAC and CGP LLC, which may adversely affect CAC's ability to comply with certain obligations imposed by federal securities law and certain debt agreements.

Deloitte is the independent registered public accounting firm for both Caesars Entertainment and CAC and their audits report on the financial statements of CAC, CGP LLC and Predecessor Growth Partners, included within the annual report on Form 10-K and its exhibits. In April 2013, Deloitte advised Caesars Entertainment that a retired Deloitte partner who was formerly the advisory partner on Deloitte's audit engagement for Caesars Entertainment during most of 2009 (a period not covered in this filing) is the subject of a formal investigation by the SEC. During 2009, this individual engaged in gaming activities at a Caesars Entertainment casino. Deloitte conducted a review of these gaming activities and this individual's role as advisory partner and reported to the Audit Committee of Caesars Entertainment its conclusion that the individual's activities did not at any time impair Deloitte's independence, because, among other considerations, these activities were not inconsistent with the SEC's independence rules and furthermore he had no substantive role in any audit or review concerning Caesars Entertainment. After Caesars Entertainment conducted its own independent review with the assistance of outside counsel, the Caesars Entertainment Audit Committee, in early May 2013, accepted Deloitte's report and concurred with Deloitte's conclusion that Deloitte's independence was and is not impaired.

If regulatory authorities were to determine that Deloitte was not independent of Caesars Entertainment and, as a result, CAC and CGP LLC, such determination may adversely affect Caesars Entertainment's and CAC's ability to comply with certain obligations imposed by federal securities laws and certain debt agreements, which would have a material adverse effect on CAC's business and financial condition.

We are dependent on Property Management Agreements with CEOC and its subsidiaries to operate CGP LLC's properties. We will also be dependent upon Services JV to operate CGP LLC's properties after its formation.

Each of CGP LLC's properties is managed by a subsidiary of CEOC. We are dependent upon Caesars Entertainment and these property management companies to provide the services necessary to operate CGP LLC's properties. We do not have any employees, and we do not have a history of operating casinos. Therefore, CGP LLC's properties are dependent on the services provided by CEOC and its subsidiaries, and we cannot operate CGP LLC's properties without these services. If the quality of the services provided by CEOC and its subsidiaries deteriorates, or the terms under which CEOC and its subsidiaries provide services change in a manner that is adverse to us, it could have a material adverse effect on our business, financial condition and operating results. Following the closing, at CGP LLC's request and subject to receipt of any required regulatory approvals, the Property Management Agreements will be assigned to Services JV, which will thereafter perform the obligations of the Property Managers. To the extent the Property Management Agreements are assigned to Services JV, we will be reliant on it to the same extent we had previously relied on CEOC for such services. Services JV will be newly formed and will not receive the management fees under the Property Management Agreements. Furthermore, Services JV will be dependent upon its members (a subsidiary of CGP LLC, CEOC and CERP) to provide it with the operating funds and capital requirements (the allocation of which shall be based on each member's ownership interest in Services JV) necessary to provide services under the Property Management Agreements. If any of the members of Services JV fail to provide it with the operating funds necessary to operate Services JV, Services JV may not be able to fully provide the services required by the Property Management Agreements to operate CGP LLC's properties.

In addition, if the Property Management Agreements were to be terminated, or if CEOC or its subsidiaries, and subsequently Services JV, were to suffer significant liquidity or operational difficulties, becoming incapable of providing property management services (or unable to provide such services at agreed upon level) to us or cease operations altogether, we may be unable to continue to operate CGP LLC's properties, which would have a material adverse effect on our business, financial condition and operating results.

Risks Related to Caesars Growth Partners, LLC's Business

CGP LLC may not realize all of the anticipated benefits of current or potential future acquisitions.

On March 1, 2014, we entered into a definitive agreement whereby CGP LLC (or one or more of its designated direct or indirect subsidiaries) agreed to acquire from Caesars Entertainment certain of its properties and related assets as more fully described further in Item 1 - Business of our Annual Report on Form 10-K for the year ending December 31, 2013. On May 5, 2014, we consummated the Acquired Properties Transaction. The consummation of the Contemplated Transaction is subject to certain closing conditions, including the receipt of gaming approvals, accuracy of representations and warranties, compliance with covenants and receipt of third-party consents. In addition, the complete consummation of the Contemplated Transaction by CAC is subject to CAC's receipt of financing on satisfactory terms, and no reverse break-up fee applies. CGP LLC or CAC may be unable to obtain the necessary approvals or otherwise satisfy the conditions required to completely consummate the Contemplated Transaction on a timely basis or at all. The conditions to the complete consummation of the Contemplated Transaction could prevent or delay the completion of the Contemplated Transaction or could result in the Contemplated Transaction being consummated on terms which differ from those described elsewhere in this report. Further, there are incremental risks and uncertainties related to the Amended Agreement and the Contemplated Transaction contemplated thereunder, many of which are outside of our control, including the following:

- the diversion of our management's attention from our ongoing business concerns;
- the outcome of any legal proceedings that may be instituted against us and/or others relating to the transactions as described in Item 1 - Business of our Annual Report on Form 10-K for the year ended December 31, 2013; and
- the amounts of the costs, fees, expenses and charges related to the Acquired Properties Transaction and completing the Contemplated Transaction, whether or not consummated.

CGP LLC's ability to realize the anticipated benefits of acquisitions, including, but not limited to the Acquired Properties Transaction and the Contemplated Transaction, will depend, in part, on its ability to integrate the businesses of such acquired companies with its business. The combination of two independent companies is a complex, costly and time consuming process. This process may disrupt the business of either or both of the companies, and may not result in the full benefits expected. The difficulties of combining the operations of two companies include, among others:

- coordinating marketing functions;
- undisclosed liabilities;
- unanticipated issues in integrating information, communications and other systems;

- unanticipated incompatibility of purchasing, marketing and administration methods;

- retaining key employees;
- consolidating corporate and administrative infrastructures;
- the diversion of management's attention from ongoing business concerns;
- coordinating geographically separate organizations; and
- obtaining all necessary gaming regulatory approvals.

For instance, CIE has been highly reliant on its acquisition of Playtika and other companies, including Buffalo, to generate revenues. CGP LLC may not realize the expected benefits of future CIE acquisitions, if any, and may not continue to realize the benefits of the Buffalo acquisition, due to one or more of the difficulties listed above or other difficulties associated with the combination of the operations of two or more companies. If CGP LLC is unable to realize in whole or in part the benefits anticipated for any current or future acquisitions, it could have a material adverse effect on its, and therefore CGP LLC's, business, financial condition and operating results.

CGP LLC may require additional capital to support business growth, and this capital might not be available on acceptable terms or at all.

CGP LLC intends to continue to make significant investments to support its business growth and may require additional funds to respond to business challenges, including the need to complete the consummation of the Asset Purchase Transaction, expand into new markets, develop new games and features or enhance CIE's existing games, improve its operating infrastructure or acquire complementary businesses, personnel and technologies. Accordingly, CAC and CGP LLC may need to engage in equity or debt financings to secure additional funds. If CAC raises additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our Class A common stock. Any debt financing we or CGP LLC secure in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult to obtain additional capital and to pursue business opportunities, including potential acquisitions. CAC and CGP LLC are newly formed entities and may not be able to obtain additional financing on favorable terms, if at all. For instance, the lack of operating history and relationship with Caesars Entertainment may impede CGP LLC's ability to raise debt or equity financing on acceptable terms, if at all, and there can be no assurances that we could pursue a future offering of securities at an appropriate price to raise the necessary financing. If CAC and CGP LLC are unable to obtain adequate financing or financing on terms satisfactory to them when they require it, their ability to continue to support CGP LLC's business growth and to respond to business challenges could be significantly impaired, which could have a material adverse effect on CGP LLC's, business, financial condition and operating results.

CAC and CGP LLC do not have restrictions on their ability to raise debt and may highly leverage their capital structure, which could adversely affect CGP LLC's ability to pursue certain opportunities.

CAC and CGP LLC are newly formed companies without any restrictions on their ability to raise a significant amount of debt financing and/or alter their capital structures. Should CAC or CGP LLC significantly leverage themselves, CAC or CGP LLC will be subject to considerable interest payment expenses that could adversely affect our ability to obtain additional financing. Further, once CAC has a highly leveraged capital structure, CGP LLC may lose certain advantages it has against competitors that have similar capital structures that makes pursuing new, capital-intensive, opportunities more challenging.

We may not realize any or all of our projected cost savings, which would have a negative effect on our results of operations.

As part of our business strategy, we have implemented certain cost savings programs and are in the process of identifying opportunities to improve profitability by reducing costs. For example, Caesars Entertainment is currently in the process of reviewing its corporate level expenses and has identified cost savings, a portion of which would directly reduce our expenses. Any cost savings that we realize from such efforts may differ materially from our estimates. In addition, any cost savings that we realize may be offset, in whole or in part, by reductions in revenues, or through increases in other expenses. For example, cutting advertising or marketing expenses may have an unintended negative affect on our revenues. Our cost savings plans are subject to numerous risks and uncertainties that may change at any time. We cannot assure you that cost-savings initiatives will be completed as anticipated or that the benefits we expect will be achieved on a timely basis or at all.

Our historical financial information may not be a reliable indicator of our future results.

The historical financial information we have included in this Form 10-Q has been prepared using assumptions and allocations that we believe are reasonable. However, such historical financial information does not necessarily reflect what our financial position, results of operations and cash flows would have been as a stand-alone entity separate from Caesars Entertainment during the periods presented. In addition, the historical information is not necessarily indicative of what our results of operations, financial position and cash flows will be in the future.

CGP LLC's business may be subject to seasonal fluctuations which could result in volatility or have an adverse effect on the market price of our Class A common stock.

CGP LLC's business may be subject to some degree of seasonality. For example, in the case of CIE, it may experience seasonality based on the playing habits of its players. As the growth of CIE's business stabilizes, the seasonal fluctuations may become more evident. In the case of Planet Hollywood, weather conditions may deter or prevent customers from reaching Planet Hollywood's facility or undertaking day trips. Such conditions would particularly affect customers who are traveling longer distances to visit Planet Hollywood. We believe the number of customer visits to Planet Hollywood will fluctuate based on the season, with winter months experiencing lower turnout. Seasonality may cause CIE and Planet Hollywood's working capital cash flow requirements to vary from quarter to quarter depending on the variability in the volume and timing of sales. These factors, among other things, make forecasting more difficult and may adversely affect CIE and Planet Hollywood's ability to manage working capital and to predict financial results accurately, which could adversely affect the market price of our Class A common stock.

There may be a significant degree of difficulty in operating CGP LLC's businesses separately from Caesars Entertainment, and managing that process effectively could require a significant amount of management's time.

The separation from Caesars Entertainment could cause an interruption of, or loss of momentum in, the operation of CGP LLC's businesses. Management may be required to devote considerable amounts of time to the separation, which will decrease the time they will have to manage their ordinary responsibilities. If management is not able to manage the separation effectively, or if any significant business activities are interrupted as a result of the separation, CGP LLC's businesses and operating results could suffer.

CGP LLC may be unable to achieve some or all of the benefits that it expects to achieve from the separation of its operations from Caesars Entertainment.

As a company with operations separate from Caesars Entertainment, we believe that CGP LLC will benefit from, among other things, allowing its businesses to better focus their financial and operational resources on their specific businesses and be better positioned to dedicate resources to pursue appropriate growth opportunities and execute strategic plans best suited to their business in an efficient manner. We believe the separation will allow the management of CIE and Planet Hollywood to design and implement corporate strategies and policies that are based primarily on the business characteristics and strategic decisions of their respective business, allowing them to more effectively respond to industry dynamics and allowing the creation of effective incentives for their management and employees that are more closely tied to their respective business performance. However, CGP LLC may not be able to achieve some or all of the benefits that we expect it to achieve as a company with operations separate from Caesars Entertainment in the time we expect, if at all.

We will be allocated taxable income from CGP LLC for U.S. federal income tax purposes regardless of whether we receive corresponding cash distributions from CGP LLC to pay our tax liability.

Because CGP LLC is a partnership for U.S. federal income tax purposes, we will be allocated taxable income from CGP LLC for U.S. federal income tax purposes for each fiscal year according to the terms of the CGP Operating Agreement. We will be required to pay U.S. federal income tax on such income at the current U.S. federal corporate income tax rate, regardless of whether CGP LLC makes corresponding cash distributions to us to pay our tax liability. The CGP Operating Agreement provides for quarterly cash tax distributions (other than in connection with a liquidation or certain partial liquidations) to be made to us and Caesars Entertainment, but there is no guarantee that such tax distributions (or other cash distributions from CGP LLC) will be sufficient for us to pay our tax liabilities.

There are no assurances that there will be future development opportunities for CGP LLC or that CGP LLC will obtain a development project other than the Maryland Joint Venture.

CGP LLC's ability to expand into new markets to pursue development opportunities depends on passage of legislation that legalizes gambling in new markets and Caesars Entertainment not exercising its right of first offer. Although in the past few years a number of states have passed legislation permitting the development of gaming facilities, there can be no assurances that such trend will continue, and it is possible that legislatures and public sentiment will turn against permitting the development of gaming facilities. Should the states pass no additional legislation for issuing licenses or permitting the development of gaming facilities, CGP LLC will be unable to pursue development opportunities in new markets. Moreover, even if new markets open up, there can be no assurances that Caesars Entertainment and/or CGP LLC will be successful in the bid process for any new development opportunities; therefore, there can be no assurances that CGP LLC will be able to enter those new markets. Further, there can be no assurances that Caesars Entertainment will not exercise its right of first refusal, thereby depriving CGP LLC of access to any potential development project.

The bonds of CEOC and other fixed rate securities we hold are sensitive to fluctuations in interest rates and would decrease in value if the interest rate increases.

As of March 31, 2014, CGP LLC holds approximately \$1.1 billion in aggregate principal amount of the CEOC Notes with fixed rates of interest. Fixed rate securities are sensitive to fluctuations in market interest rates and if interest rates increase, the fixed rate securities held by CGP LLC will decrease in value. Currently, market interest rates have been at record low rates. Accordingly, an increase in market interest rates from current levels could cause the value of the fixed rate securities to decrease significantly.

CGP LLC and CAC are subject to extensive governmental regulation and taxation policies, the enforcement of which could adversely impact CGP LLC's business, financial condition and results of operations.

CGP LLC and CAC are subject to extensive gaming regulations and political and regulatory uncertainty. Regulatory authorities in the jurisdictions where CGP LLC operates have broad powers with respect to the licensing of casino operations and may revoke, suspend, condition or limit the gaming or other licenses of CGP LLC's casino properties or developments, impose substantial fines and take other actions, any one of which could adversely impact CGP LLC's business, financial condition and results of operations. In addition, regulatory authorities in one or more jurisdictions may require CGP LLC or CAC to obtain new licenses in connection with the transactions as described in Item 1 - Business of our Annual Report on Form 10-K for the year ended December 31, 2013 or due to future changes in regulation. For instance, the Missouri Gaming Commission is requiring that CAC obtain certain licenses after the closing of the transactions as described in Item 1 - Business of our Annual Report on Form 10-K for the year ended December 31, 2013 even though CGP LLC does not operate in Missouri. The failure of CAC to obtain a license from the Missouri Gaming Commission could adversely impact Caesars Entertainment's gaming license in Missouri. If other jurisdictions require CGP LLC or CAC to obtain new licenses in connection with the transactions as described in Item 1 - Business of our Annual Report on Form 10-K for the year ended December 31, 2013 or due to future changes in regulation, and CGP LLC or CAC is unable to obtain those licenses, it could adversely impact CGP LLC's business, financial condition and results of operations. Another example, our ability to expand our operations at Harrah's New Orleans, which could include increasing the number of rooms at the hotel or opening new restaurants at the complex, is subject to regulatory approval, and any such proposal may or may not be approved.

Furthermore, interpretations of laws and local regulations and ordinances on which we rely may change or be made conditional on certain other factors, which could adversely impact our business, financial condition and results of operations. For example, Harrah's New Orleans is currently subject to a local ordinance in New Orleans related to the minimum number of people who must be employed at Harrah's New Orleans. If CGP LLC acquires Harrah's New Orleans, a change in the interpretation of this ordinance or a change in this ordinance could force a reevaluation of staffing at that property that could adversely affect the financial results of Harrah's New Orleans.

As a result of CIE holding an online gaming license, its operations and activities are subject to various gaming laws and laws in Nevada. We also expect CIE to be subject to these or similar laws as CIE seeks licenses for online real money gaming in the United States. For example, CIE has obtained a license in Nevada as an "operator of an interactive gaming system" and obtained regulatory approval to launch online poker in Nevada in 2013 in a field trial mode with final approval of the product received on March 20, 2014. In addition, CIE obtained a casino license in New Jersey in November 2013 to operate internet gaming in New Jersey. Among these laws are various "suitability" requirements which could limit CIE's ability to conduct business with certain third parties, make certain acquisitions and otherwise freely conduct its business. The results of such restrictions could have a material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and operating results.

Furthermore, because we are subject to regulation in each jurisdiction in which we operate, and because regulatory agencies within each jurisdiction review our compliance with gaming laws in other jurisdictions, it is possible that gaming compliance issues in one jurisdiction may lead to reviews and compliance issues in other jurisdictions. For example, recent events in connection with the proposed development of a casino gaming facility by Sterling Suffolk Racecourse, LLC ("Sterling Suffolk"), owner of Suffolk Downs racecourse in East Boston, Massachusetts, have resulted in reviews in several other jurisdictions arising out of a report issued to the Massachusetts Gaming Commission from the Director of the Investigations and Enforcement Bureau for the Massachusetts Gaming Commission (the "Bureau") in October 2013. That report raised certain issues for consideration when evaluating CEC's suitability as a qualifier in Massachusetts and made a recommendation that CEC had not met their burden by clear and convincing evidence to establish their suitability. Although CEC strongly disagrees with the director's recommendation, CEC withdrew their application as a qualifier in Massachusetts at the request of Sterling Suffolk. Neither CEC nor their affiliates were found unsuitable by any licensing authority, but other gaming regulatory agencies have asked for information about the issues raised in the report from the Bureau, and CEC is in the process of providing that information. We cannot assure you that existing or future jurisdictions would not raise similar questions with respect to our suitability arising out of the Bureau's report because we are affiliated with Caesars Entertainment, or with respect to matters that may arise in the future, and we cannot assure you that such issues will not adversely affect us or our financial condition.

From time to time, individual jurisdictions have also considered legislation or referendums, such as bans on smoking in casinos and other entertainment and dining facilities, which could adversely impact the operations of CGP LLC's casino properties. For example, Maryland law prohibits smoking at the Horseshoe Baltimore. The likelihood or outcome of similar legislation in such jurisdictions and referendums in the future cannot be predicted, though any smoking ban would be expected to negatively impact CGP LLC's financial performance.

The casino entertainment industry represents a significant source of tax revenues to the various jurisdictions in which casinos operate. From time to time, various state and federal legislators and officials have proposed changes in tax laws, or in the administration of such laws, including increases in tax rates, which would affect the industry. If adopted, such changes could adversely impact CGP LLC's business, financial condition and results of operations.

Acts of terrorism, natural disasters, severe weather and political, economic and military conditions may impede CGP LLC's ability to operate or harm its financial results.

Terrorist attacks and other acts of war or hostility have created many economic and political uncertainties. For example, a substantial number of the customers of Planet Hollywood use air travel. As a result of terrorist acts, domestic and international travel was severely disrupted, which resulted in a decrease in customer visits to Las Vegas. We cannot predict the extent to which disruptions in air or other forms of travel as a result of any further terrorist act, security alerts or war, uprisings, or hostilities in places such as Iraq and Afghanistan, or other countries throughout the world, will continue to directly or indirectly impact CGP LLC's business and operating results. As a consequence of the threat of terrorist attacks and other acts of war or hostility in the future, premiums for a variety of insurance products have increased, and some types of insurance are no longer available. If any such event were to affect CGP LLC's properties, we would likely be adversely impacted.

Political, economic and military conditions may directly affect CGP LLC's business by impeding its operations or player demand. In particular, a significant portion of the operations and personnel of Playtika, a subsidiary of CIE and the operator of *Slotomania*, are located in Israel, a country located in a particularly volatile region. CIE also has approximately 270 employees and contractors in Ukraine, a country currently facing political unrest. Any hostilities, or any future armed conflicts, political or economic instability or violence in the Middle East or further disruptions in Ukraine could have a material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and operating results.

In addition, natural and man-made disasters such as major fires, floods, hurricanes, earthquakes and oil spills, or severe or inclement weather affecting the ability of CGP LLC's properties' customers to travel can have a negative impact on its results of operations. In most cases, we have insurance that covers portions of any losses from a natural disaster, but it is subject to deductibles and maximum payouts in many cases. Although we may be covered by insurance from a natural disaster, the timing of our receipt of insurance proceeds, if any, is out of our control. In some cases, however, we may receive no proceeds from insurance. Additionally, a natural disaster affecting one or more of CGP LLC's properties may affect the level and cost of insurance coverage we may be able to obtain in the future, which may adversely affect our financial position. As our operations depend in part on our customers' ability to travel, severe or inclement weather can also have a negative impact on our results of operations.

Any violation of the Foreign Corrupt Practices Act or other similar laws and regulations could have a negative impact on us.

CGP LLC is subject to risks associated with doing business outside of the United States, which exposes CGP LLC to complex foreign and U.S. regulations inherent in engaging in a cross-border business and in each of the countries in which CGP LLC and its businesses transacts business. CGP LLC is subject to requirements imposed by the Foreign Corrupt Practices Act ("FCPA") and other anti-corruption laws that generally prohibit U.S. companies and their affiliates from offering, promising, authorizing or making improper payments to foreign government officials for the purpose of obtaining or retaining business. Violations of FCPA and other anti-corruption laws may result in severe criminal and civil sanctions as well as other penalties and the SEC and U.S. Department of Justice have increased their enforcement activities with respect to the FCPA. Policies and procedures and employee training and compliance programs that CGP LLC has implemented to deter prohibited practices may not be effective in prohibiting our employees, contractors or agents from violating or circumventing our policies and the law. If the employees, contractors or agents of Caesars Entertainment, Planet Hollywood, Horseshoe Baltimore, the Acquired Properties and CIE fail to comply with applicable laws or company policies governing its international operations, CGP LLC may face investigations, prosecutions and other legal proceedings and actions which could result in civil penalties, administrative remedies and criminal sanctions. Any determination that we have violated any anti-corruption laws could have a material adverse effect on CGP LLC's financial condition. Compliance with international and U.S. laws and regulations that apply to CGP LLC's international operations increase CGP LLC's cost of doing business in foreign jurisdictions. CGP LLC and its businesses also deal with significant amounts of cash in its operations and are subject to various reporting and anti-money laundering regulations. Any violation of anti-money laundering laws ("AML") or regulations, on which in recent years, governmental authorities have been increasingly focused, with a particular focus on the gaming industry, by any of our resorts could have a negative effect on our results of operations. As an example, a major gaming company recently settled a U.S. Attorney investigation into its AML practices. On October 11, 2013, a subsidiary of Caesars Entertainment received a letter from

the Financial Crimes Enforcement Network of the United States Department of the Treasury ("FinCEN"), stating that FinCEN is investigating Desert Palace, Inc. (the owner of Caesars Palace) for alleged violations of the Bank Secrecy Act ("BSA") based on a BSA examination of Caesars Palace previously conducted by the Internal Revenue Service to determine whether it is appropriate to assess a civil penalty and/or take additional enforcement action against Caesars Palace. Additionally, Caesars Entertainment has been informed that a federal grand jury investigation related to these matters is on-going. While not the subject of these investigations, we intend to cooperate fully with both the FinCEN and grand jury investigations. Based on proceedings to date, we are currently unable to determine the probability of the outcome of these matters, the range of reasonably possible loss, if any or the extent to which the outcome of these matters will impact our businesses.

Compromises of our information systems or unauthorized access to confidential information or our customers' personal information could materially harm our reputation and business.

We collect and store confidential, personal information relating to our customers for various business purposes, including marketing and financial purposes, and credit card information for processing payments. For example, we handle, collect and store personal information in connection with our customers staying at our hotels and enrolling in the Total Rewards loyalty program. We may share this personal and confidential information with vendors or other third parties in connection with processing of transactions, operating certain aspects of our business or for marketing purposes. Our collection and use of personal data are governed by state and federal privacy laws and regulations as well as the applicable laws and regulations in other countries in which we operate. Privacy law is an area that changes often and varies significantly by jurisdiction. We may incur significant costs in order to ensure compliance with the various applicable privacy requirements. In addition, privacy laws and regulations may limit our ability to market to our customers.

We assess and monitor the security of collection, storage and transmission of customer information on an ongoing basis. We utilize commercially available software and technologies to monitor, assess and secure our network. Further, the systems currently used for transmission and approval of payment card transactions, and the technology utilized in payment cards themselves, all of which can put payment card data at risk, are determined and controlled by the payment card industry, not us. Although we have taken steps designed to safeguard our customers' confidential personal information, our network and other systems and those of third parties, such as service providers, could be compromised by a third-party breach of our system security or that of a third-party provider or as a result by purposeful or accidental actions of third parties, the employees at CGP LLC's properties or those employees of a third party. Advances in computer and software capabilities and encryption technology, new tools and other developments may increase the risk of such a breach. As a result of any security breach, customer information or other proprietary data may be accessed or transmitted by or to a third party. Despite these measures, there can be no assurance that we are adequately protecting our information.

Any loss, disclosure or misappropriation of, or access to, customers' or other proprietary information or other breach of our information security could result in legal claims or legal proceedings, including regulatory investigations and actions, or liability for failure to comply with privacy and information security laws, including for failure to protect personal information or for misusing personal information, which could disrupt our operations, damage our reputation and expose us to claims from customers, financial institutions, regulators, payment card associations, employees and other persons, any of which could have an adverse effect on our financial condition, results of operations and cash flow.

Our reliance on our computer systems and software could expose us to great financial harm if any of our computer systems or software were subject to any material disruption or corruption.

We rely significantly on our computer systems and software to receive and properly process internal and external data, including data related to the Total Rewards loyalty program. A disruption or corruption of the proper functioning of our computer systems or software could cause us to lose data or record erroneous data, which could result in material losses. We cannot guarantee that our efforts to maintain competitive computer systems and software will be successful. Our computer systems and software may fail or be subject to bugs or other errors, resulting in service interruptions or other unintended consequences. If any of these risks materialize, they could have a material adverse effect on our business, financial condition and results of operations.

We, or our subsidiaries, may not be able to protect the intellectual property rights we own or may be prevented from using intellectual property necessary for our business.

We rely primarily on trade secret, trademark, domain name, copyright and contract law to protect the intellectual property and proprietary technology we own. It is possible that third parties may copy or otherwise obtain and use our intellectual property or proprietary technology without authorization or otherwise infringe on our rights. For example, while we have a policy of entering into confidentiality, intellectual property invention assignment and/or non-competition and non-solicitation agreements or restrictions with our independent contractors and business partners, such agreements may not provide adequate protection or may be breached, or our proprietary technology may otherwise become available to or be independently developed by our competitors. Third parties have alleged and may in the future allege that we are infringing, misappropriating or otherwise violating their intellectual property rights. Third parties may initiate litigation against us without warning, or may send

us letters or other communications that make allegations without initiating litigation. We may elect not to respond to these letters or other communications if we believe they are without merit, or we may attempt to resolve these disputes out of court by negotiating a license, but in either case it is possible that such disputes will ultimately result in litigation. Any such claims could interfere with our ability to use technology or intellectual property that is material to the operation of our business. Such claims may be made by competitors seeking to obtain a competitive advantage or by other parties, such as entities that purchase intellectual property assets for the purpose of bringing infringement claims. We also periodically employ individuals who were previously employed by our competitors or potential competitors, and we may therefore be subject to claims that such employees have used or disclosed the alleged trade secrets or other proprietary information of their former employers.

In the future, we may have to rely on litigation to enforce our intellectual property rights, protect our trade secrets, determine the validity and scope of the proprietary rights of others or defend against claims of infringement or invalidity. Any such litigation, whether successful or unsuccessful, could result in substantial costs and the diversion of resources and the attention of management. If unsuccessful, such litigation could result in the loss of important intellectual property rights, require us to pay substantial damages, subject us to injunctions that prevent us from using certain intellectual property, require us to make admissions that affect our reputation in the marketplace and require us to enter into license agreements that may not be available on favorable terms or at all. Finally, even if we prevail in any litigation, the remedy may not be commercially meaningful or fully compensate us for the harm we suffer or the costs we incur. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We are or may become involved in legal proceedings that, if adversely adjudicated or settled, could impact our financial condition .

From time to time, we are defendants in various lawsuits or other legal proceedings relating to matters incidental to our business. The nature of our business subjects us to the risk of lawsuits filed by customers, past and present employees, competitors, business partners, Indian tribes and others in the ordinary course of business. As with all legal proceedings, however, no assurance can be provided as to the outcome of these matters and in general, legal proceedings can be expensive and time consuming. We may not be successful in the defense or prosecution of these lawsuits, which could result in settlements or damages that could significantly impact our business, financial condition and results of operations.

Recently, we, CGP LLC, Caesars Entertainment, CEOC and CERP received the Second Lien Holders' Letter and Caesars Entertainment and CEOC received the First Lien Holders' Letter. If an action were brought with respect to any of the claims made in these letters and a court were to find in favor of the claimants, such determination could have a material adverse effect on CGP LLC's business, financial condition, results of operations and prospects and on the ability of the lenders and noteholders to recover on claims under the senior secured credit facilities and the Notes.

Risks Related to CGP LLC's Interactive Entertainment Business

One game has historically generated the majority of CIE's revenue, and CIE must continue to launch and enhance games that attract and retain a significant number of players in order to grow its revenue and sustain its competitive position.

Historically, CIE has depended on one game for the majority of its revenue and we expect that this dependency will likely continue for the foreseeable future. Specifically, *Slotomania* accounted for 56% of CIE's social and mobile online game revenue for the three months ended March 31, 2014 and 52% of CIE's total revenue for the three months ended March 31, 2014. CIE's growth depends on its ability to increase interest in its key established game, *Slotomania*, by continually enhancing the game. Additionally, CIE must launch new games that achieve significant popularity. Each of CIE's games requires significant engineering, marketing and other resources to develop, launch and sustain via regular upgrades and expansions, and such costs on average have increased and are likely to continue to increase in the future. CIE's ability to successfully launch, sustain and expand games and attract and retain players largely depends on its ability to:

- anticipate and effectively respond to changing player interests and preferences;
- anticipate and respond to changes in the competitive landscape, including any future legalization of online real money gaming in the United States and other jurisdictions;
- attract, retain and motivate talented game designers, product managers and engineers;
- develop, sustain and expand games that are fun, interesting and compelling to play;
- effectively market new games and enhancements to CIE's existing players and new players;
- minimize launch delays and cost overruns on new games and game expansions;
- minimize downtime and other technical difficulties; and

- acquire high quality assets, personnel and companies.

It is difficult to consistently anticipate player demand on a large scale, particularly as CIE develops new games in new markets, including international markets and mobile platforms. If CIE does not successfully launch and sustain games that attract and retain a significant number of players and extend the life of CIE's existing games, it could have a material adverse effect on CIE's, therefore CGP LLC's, business, financial condition and operating results.

If CIE's top game, Slotomania, does not maintain its popularity, CIE's results of operations could be harmed.

In addition to creating new games that are attractive to a significant number of players, CIE must extend the life of its existing games, in particular its most successful game, *Slotomania*. For a game to remain popular, CIE must routinely enhance, expand and/or upgrade the game with new features and content that players find attractive. Such enhancement requires the investment of significant resources, integration into new platforms, introduction of new languages, expansion into new jurisdictions and often presents new marketing and other challenges. CIE may not be able to successfully enhance, expand or upgrade CIE's current library of games. Any decrease in the popularity of CIE's social and mobile games, or any other adverse developments relating to CIE's most popular game, *Slotomania*, could have a material adverse effect on its, and therefore CGP LLC's, business, financial condition and operating results.

CIE relies on a small portion of its total players for nearly all of its revenue from social and mobile games and if CIE fails to grow or sustain its player base, its results of operations could be adversely affected.

Consistent with the social and mobile games business model, only a small portion of CIE's social and mobile games players pay for virtual goods. During the first quarter of 2014, CIE's social and mobile games business had approximately 511 thousand average Monthly Unique Payers, or 2.9% of the total number of CIE's average Monthly Unique Users on its social and mobile platforms. In order to sustain and increase CIE's revenue levels, CIE must attract, retain and increase the number of players that are payers. To retain players, CIE must devote significant resources so that the games they play retain their interest and attract them to CIE's other games. If CIE fails to grow or sustain its player base, or if the rates at which CIE attracts and retains players declines or if the average amount of revenue CIE receives from its players declines, it could have a material adverse effect on CIE's, therefore CGP LLC's, business, financial condition and operating results.

The social and mobile games industry is rapidly growing and changing, which makes it difficult to evaluate CIE's business and prospects.

Social and mobile games, from which CGP LLC derived 93.2% of the revenue for the Interactive Entertainment business for the three months ended March 31, 2014, is a rapidly growing and evolving industry. The growth of the industry and the level of demand and market acceptance of CIE's games are subject to a high degree of uncertainty. CIE's future operating results will depend on numerous factors affecting the social and mobile games industry, many of which are beyond CIE's control, including, among others:

- the occurrence and manner of legalization of online real money gaming in the United States beyond Nevada, Delaware and New Jersey;
- continued worldwide growth in the adoption and use of Facebook, other social networks and mobile platforms;
- changing rules and requirements on social networks, like Facebook and mobile platforms, like Android and Apple iOS;
- changes in consumer demographics and public tastes and preferences;
- changing laws and regulations affecting social and mobile games;
- the availability and popularity of other forms of entertainment;
- the worldwide growth of personal computer, broadband Internet and mobile device users, and the rate of any such growth; and
- general economic conditions, particularly economic conditions adversely affecting discretionary consumer spending.

CIE's ability to plan for game development, distribution and promotional activities will be significantly affected by its ability to anticipate and adapt to relatively rapid changes in the tastes and preferences of its current and potential players. New and different types of entertainment may increase in popularity at the expense of social and mobile games. A decline in the popularity of social or mobile games in general, or CIE's games in particular, could have a material adverse effect on its, and therefore CGP LLC's, business, financial condition and operating results.

CIE has a new business model and a short operating history, which makes it difficult to evaluate its prospects and future financial results and may increase the risk that it will not be successful.

CIE's business was formed in May 2009, and CIE's business changed significantly with the acquisition of Playtika in 2011. Consequently, CIE has a short operating history and a new business model, both of which make it difficult to effectively assess its future prospects. Today, CIE's business model is largely based on offering games that are free to play on social and

mobile platforms, regulated online real money gaming in the UK, Nevada and New Jersey and its WSOP sponsorship and licensing businesses. However, we expect CIE's business model to evolve as other states legalize online poker or online gambling. Moreover, to date, CIE's social and mobile games business only earns revenue from a small portion of its players. In addition, CIE's experience in the complex business of online real money gaming is limited. CIE's future prospects are particularly difficult to assess because it has derived the majority of its historical revenue from its acquisition of Playtika in 2011. You should consider CIE's business and prospects in light of the challenges it faces, any one, or the combination, of which could have material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and operating results.

The low barriers to entry and intense competition that characterizes the social and mobile games industry could have an adverse effect on CIE's, and therefore CGP LLC's, business financial condition and results of operations.

The social and mobile games industry has low barriers to entry and we expect more companies to enter the sector and a wider range of social and mobile games to be introduced. The industry is also highly competitive. CIE's competitors that develop social and mobile games vary in size and include publicly traded companies such as Zynga Inc. ("Zynga"), Glu Mobile, International Game Technology ("IGT"), Electronic Arts and Midasplayer.com Limited, operators of King.com, Ltd. ("King"). In addition, online game developers and distributors who are primarily focused on specific international markets, such as Tencent Holdings Limited in Asia, and high-profile companies with significant online presences that to date have not developed social and mobile games, such as Amazon.com, Inc., Apple Inc., Facebook, Google Inc. ("Google"), Microsoft and Yahoo! Inc., may decide to develop social and mobile games in the future. Some of these current and potential competitors have significant resources for developing or acquiring additional games, may be able to incorporate their own highly recognized brands and assets into their games, have a more diversified set of revenue sources than CIE currently does and may be less severely affected by changes in consumer preferences, regulations or other developments that may impact the social and mobile games industry. As CIE continues to devote significant resources to developing games for social and mobile platforms, CIE will face significant competition from established companies that may have far greater experience than CIE, including Zynga and Electronic Arts. Moreover, there exists in the social and mobile games industry a significant "first mover" advantage. CIE's ability to compete effectively in respect to a particular style of game may be premised on introducing a game in that style before CIE's competitors. We cannot assure you that CIE will be able to continue to compete effectively or that CIE will be capable of maintaining or further increasing its current market share. CIE's failure to compete successfully in its various markets could have a material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and results of operations.

If CIE fails to effectively manage its growth, CIE's, and therefore CGP LLC's, business and operating results could be harmed.

CIE continues to experience rapid growth in its headcount and operations, which will continue to place significant demands on its management and operational, financial and technological infrastructure. As of March 31, 2014, approximately 50% of CIE's employees had been with CIE for less than one year and approximately 85% for less than two years. Moreover, a number of the individuals CIE relies on for its operations are consultants, not full-time employees on CIE's payroll. As CIE continues to grow, it must expend significant resources to identify, hire, integrate, develop and motivate a large number of qualified employees. If CIE fails to effectively manage its hiring needs and successfully integrate its new hires, CIE's ability to continue launching new games and enhance existing games could suffer.

To effectively manage the growth of CIE's business and operations, it will need to continue spending significant resources to improve its technology infrastructure, its operational, financial and management controls, and its reporting systems and procedures by, among other things:

- monitoring and updating CIE's technology infrastructure to maintain high performance and minimize down time;
- enhancing information and communication systems to ensure that CIE's employees and offices around the world are well-coordinated and can effectively communicate with each other; and
- appropriately documenting CIE's information technology systems and business processes.

If CIE fails to successfully do these things, it could have a material adverse effect on its, and therefore CGP LLC's, business, financial condition and operating results.

CIE's growth prospects will suffer if it is unable to develop successful games for new and emerging platforms.

We expect CIE to devote substantial resources to the development of its social online and mobile games on new and emerging platforms, and its limited experience makes it difficult to know whether CIE will succeed in developing such games that appeal to players or advertisers on such new and emerging platforms. The uncertainties CIE faces include:

- its experience in developing social games for use primarily on Facebook and Apple iOS may not be relevant for developing games for new and emerging platforms;
- many new and emerging platforms are located in countries where CIE has no or limited operating experience;

- new and emerging platforms may require different technological requirements to adapt CIE's games than its current platforms, which may require significant expense;
- CIE has limited experience working with wireless carriers, new and emerging platform providers and other partners whose cooperation CIE may need in order to be successful; and
- CIE will need to move beyond payment methods provided by social networks and successfully allow for a variety of payment methods and systems based on new mobile platforms, geographies and other factors.

These and other uncertainties make it difficult to know whether CIE will succeed in developing commercially viable games for new and emerging social and mobile platforms. If CIE does not succeed in doing so, it could have a material adverse effect on its, therefore CGP LLC's, business, financial condition and operating results.

If CIE is unable to maintain a good relationship with Facebook, Apple and/or Google, or if Facebook, Apple or Google were to change their respective terms of service in ways unfavorable to CIE, CIE's business may suffer.

Facebook, Apple iOS and Android are significant distribution, marketing, promotion and payment platforms for CIE's games. During the first quarter of 2014, CIE generated approximately 96% of its social and mobile games revenue and 91% of its social and mobile games users through the Facebook, Apple iOS and Android platforms and we expect CIE to continue to do so for the foreseeable future. CIE is subject to Facebook's, Apple's and Google's respective standard terms and conditions for application developers, which govern the promotion, distribution and operation of games and other applications on the Facebook, Apple iOS and Android platforms.

CIE has benefited from Facebook's, Apple's and Google's strong brand recognition and large user bases. If Facebook, Apple iOS and/or Google loses its market position or otherwise falls out of favor with Internet users, CIE would need to identify alternative channels for marketing, promoting and distributing CIE's social and mobile games, which would consume substantial resources and may not be effective. In addition, Facebook, Apple and Google each have broad discretion to change their respective terms of service and other policies, without CIE's consent and without notice, with respect to CIE and other developers, and those changes may be unfavorable to CIE. Facebook, Apple and/or Google may also change their respective fee structures, add fees associated with access to and use of the Facebook, Apple iOS and Android platforms, change how the personal information of their respective users is made available to application developers on the Facebook, Apple iOS or Android platforms, restrict how Facebook, Apple iOS or Android users can share information with friends on their respective platforms, restrict or discontinue access for consumers from certain countries, discontinue or limit access to their respective platforms by CIE and other game developers or develop their own competitive offerings. If any of these events were to materialize, it could have a material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and operating results.

The loss of the services of key personnel at CIE could have a material adverse effect on its business.

The leadership of CIE's chief executive officer, Mitch Garber, and other executive officers has been a critical element of its success. The death or disability of Mitch Garber or other extended or permanent loss of his services, or any negative market or industry perception with respect to him or arising from his loss, could have a material adverse effect on CIE's, therefore CGP LLC's, business. CIE's other executive officers and other members of senior management, including Robert Antokol, co-founder of Playtika, have substantial experience and expertise in the social and mobile games industry and have made significant contributions to CIE's growth and success. The unexpected loss of services of one or more of these individuals could have a material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and operating results. CIE is not protected by key man or similar life insurance covering members of its senior management. CIE has employment agreements with certain of its executive officers, but these agreements do not guarantee that any given executive will remain with CIE.

If CIE is unable to attract, retain and motivate employees, it may not be able to compete effectively and may not be able to successfully expand its businesses.

CIE's success and ability to grow are dependent, in part, on its ability to hire, retain and motivate sufficient numbers of talented people, with the increasingly diverse skills needed to serve and expand its business. Such employees, particularly game designers, product managers and engineers, are in high demand, and CIE devotes significant resources to identifying, hiring, training, integrating and retaining these employees. These efforts place significant demands on CIE's resources. Historically, CIE has hired a number of key personnel through strategic acquisitions, such as our acquisition of Playtika, and as competition with other social and mobile games companies increases, CIE may incur significant expenses in continuing this practice. The inability to attract qualified employees in sufficient numbers to meet particular demands or the loss of a significant number of CIE's employees could have a material adverse effect on CIE's, therefore CGP LLC's, business, financial condition and operating results.

Expansion into international markets is important for CIE's growth, and as CIE expands internationally it faces additional business, political, regulatory, operational, financial and economic risks, any of which could increase its costs and hinder its growth.

Continuing to expand CIE's business to attract players in countries other than the United States is a critical element of CIE's business strategy. An important part of targeting international markets is developing offerings that have localized content and are customized for the players in those markets. We expect to continue to devote significant resources to international expansion through acquisitions, the establishment of additional offices and development studios, and increasing CIE's foreign language strategic offerings. CIE's ability to expand its business and to attract talented employees and players in an increasing number of international markets requires considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal systems, alternative dispute systems, regulatory systems and commercial infrastructures. Expanding CIE's international focus may subject it to risks that it has not faced before or increase risks that CIE currently faces, including risks associated with:

- recruiting and retaining talented and capable management and employees in foreign countries;
- challenges caused by distance, language and cultural differences;
- developing and customizing games and other offerings that appeal to the tastes and preferences of players in international markets;
- competition from local game makers with significant market share in those markets and with a better understanding of local player preferences;
- protecting and enforcing CIE's intellectual property rights;
- negotiating agreements with local distribution platforms that are economically beneficial to CIE and protective of its rights;
- the inability to extend proprietary rights in CIE's brand, content or technology into new jurisdictions;
- implementing alternative payment methods for virtual goods in a manner that complies with local laws and practices and protects CIE from fraud;
- compliance with applicable foreign laws and regulations, including privacy laws and laws relating to content;
- compliance with anti-bribery laws, including, without limitation, compliance with the FCPA;
- credit risk and higher levels of payment fraud;
- currency exchange rate fluctuations;
- protectionist laws and business practices that favor local businesses in some countries;
- foreign tax consequences, including the requirement to pay value added tax, or VAT, in certain jurisdictions;
- foreign exchange controls or U.S. tax restrictions that might restrict or prevent CIE from repatriating income earned in countries outside the United States; and
- political, economic and social instability.

Entering new international markets can be expensive, CIE's ability to successfully gain market acceptance in any particular market is uncertain and the distraction of CIE's senior management team could mean that it is unable to capitalize on other strategic opportunities. If CIE is unable to successfully expand into new international markets, it could have a material adverse effect on CIE's, therefore CGP LLC's, business, financial condition and operating results.

The value of CIE's virtual goods is highly dependent on how CIE manages the economies in its games. If CIE fails to manage its game economies properly, its business may suffer.

Players from whom CIE derives revenue purchase virtual goods in CIE's games because of the perceived value of these goods, which is dependent on the relative ease of securing an equivalent good via non-paid means within the game. The perceived value of these virtual goods can be impacted by various actions that CIE takes in the games, including offering discounts for virtual goods, giving away virtual goods in promotions or providing easier non-paid means to secure these goods. If CIE fails to manage its virtual economies properly, players may be less likely to purchase virtual goods, which could have a material adverse effect on its, and therefore CGP LLC's business, financial condition and

operating results.

The proliferation of hacking, security breaches, computer malware, "cheating" programs and scam offers that seek to exploit CIE's games and players affects the game-playing experience and may lead players to stop playing CIE's games.

Security breaches, computer malware and computer hacking attacks have become more prevalent in CIE's industry and may occur on its systems in the future. Because of CIE's prominence in the social and mobile game industry, CIE's affiliation with one of the largest gaming entertainment companies in the world, and because of the prominence of the brands CIE uses in its businesses, including Caesars, WSOP, Slotomania and Bingo Blitz, we believe CIE is a particularly attractive target for hackers. Though it is difficult to determine what harm may exactly result from any specific interruption or breach, any failure to maintain performance, reliability, security and availability of CIE's network infrastructure to the satisfaction of its players may harm CIE's reputation and its ability to retain existing players and attract new players. CIE is particularly exposed to these risks in its online real money gaming business where players place an especially high value on the proper functioning of CIE's games. Any security breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses could have a material adverse effect on CIE's, and therefore CGP LLC's business, financial condition and operating results.

Unrelated third parties have developed, and may continue to develop, "cheating" programs and activities that enable players to exploit CIE's games, play them in an automated way or obtain unfair advantages over other players who do play fairly, including through the unauthorized sale of CIE's virtual goods. These programs and activities harm the experience of players who play fairly and may disrupt the real money operations and virtual economies of CIE's games. CIE devotes significant resources to discover and disable these programs and activities, but if CIE is unable to do so quickly its operations may be disrupted, its reputation damaged and players may stop playing its games. This may lead to lost revenue from paying players, increased cost of developing technological measures to combat these programs and activities, legal claims relating to the diminution in value of CIE's real money gaming credits, virtual currency and increased customer service costs needed to respond to dissatisfied players.

CIE is subject to payment-related risks, such as risk of fraudulent use of credit or debit cards, which could have adverse effects on CIE's business or results of operations due to unusually large or frequent chargebacks from customers.

CIE accepts payments using a variety of methods, including PayPal, credit and debit cards. As CIE continues to introduce new payment options to its players, CIE may be subject to additional regulatory and compliance requirements. CIE also may be subject to the risk of fraudulent use of credit or debit cards, or other payment options. For certain payment methods, including credit and debit cards, CIE pays interchange and other fees, which may increase over time and, therefore, raise operating costs and reduce profitability. CIE relies on third parties to provide payment processing services and it could disrupt CIE's business if these companies become unwilling or unable to provide these services to CIE. CIE is also subject to rules and requirements governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for CIE to comply. If CIE fails to comply with these rules or requirements, CIE may be subject to fines and higher transaction fees and lose its ability to accept PayPal, credit card, debit card, or other payments from consumers which could have a material adverse effect on its, and therefore CGP LLC's business, financial condition and operating results. In addition, depending on the merchant category code assigned to CIE by the credit card associations, especially for its online real money gaming business, CIE may be subject to a higher percentage of declined transactions which could reduce the amount of money deposited.

Chargebacks occur when customers seek to void credit card or other payment transactions. Cardholders are intended to be able to reverse card transactions only if there has been unauthorized use of the card or the services contracted for have not been provided. In CIE's business, players occasionally seek to reverse their online real money gaming losses or purchases of virtual goods through chargebacks. Although CIE places great emphasis on control procedures to protect from chargebacks, these control procedures may not be sufficient to protect CIE from adverse effects on its business or results of operations due to unusually large or frequent chargebacks.

Programming errors or flaws in CIE's social and mobile games, or on its regulated online real money gaming websites, could harm CIE's reputation or decrease market acceptance of CIE's games, which could have a material adverse effect on its, and therefore CGP LLC's, business, financial condition and operating results.

CIE's social and mobile games, and its regulated online real money gaming websites, may contain errors, bugs, flaws or corrupted data, and these defects may only become apparent after their launch, particularly as CIE launches new games and rapidly releases new features to existing games under tight time constraints. We believe that if CIE's players have a negative experience with its games, they may be less inclined to continue or resume playing CIE's games or recommend its games to other potential players. Undetected programming errors, game defects and data corruption can disrupt CIE's operations, adversely affect the game experience of CIE's players by allowing players to gain unfair advantage, harm CIE's reputation, cause CIE's players to stop playing its games, divert CIE's resources and delay market acceptance of CIE's games, any of which could have a material adverse effect on its, and therefore CGP LLC's, business, financial condition and operating results.

Companies and governmental agencies may restrict access to Facebook, CIE's websites or the internet generally, which could lead to the loss or slower growth of CIE's player base.

CIE's online players need to access the Internet to play CIE's games. Companies and governmental agencies could block access to the Internet generally or the particular platform on which a player wishes to play CIE's games (e.g., Facebook) for a number of reasons such as security or confidentiality concerns or regulatory reasons, or they may adopt policies that prohibit employees from accessing Facebook, CIE's website, CIE's online gaming websites or other social platforms for work related efficiency reasons. For example, the government of the People's Republic of China has blocked access to Facebook in China and, according to an article in The Wall Street Journal, Proctor & Gamble recently implemented a policy restricting employee access to a number of popular entertainment websites. If companies or governmental entities block or limit access to Facebook, CIE's website, CIE's online gaming websites or otherwise adopt policies restricting players from playing CIE's games, it could have a material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and operating results.

Evolving regulations concerning data privacy may result in increased regulation and different industry standards, which could prevent CIE from providing its current games to its players or require CIE to modify its games, thereby harming its business.

The regulatory framework for privacy issues worldwide is currently in flux and is likely to remain so for the foreseeable future. Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the Internet and mobile platforms have recently come under increased public scrutiny. The U.S. government, including the Federal Trade Commission and the Department of Commerce, has announced that it is reviewing the need for greater regulation for the collection of information concerning consumer behavior on the Internet, including regulation aimed at restricting certain targeted advertising practices. In addition, the European Union is in the process of proposing reforms to its existing data protection legal framework, which may result in a greater compliance burden for companies with users in Europe. Various government and consumer agencies have also called for new regulation and changes in industry practices.

CIE's business, including its ability to operate and expand internationally, could be adversely affected if laws or regulations are adopted, interpreted or implemented in a manner that is inconsistent with CIE's current business practices and that require changes to these practices, the design of CIE's website, games, features or its privacy policy. In particular, the success of CIE's business has been, and we expect will continue to be, driven by CIE's ability to responsibly use the data that CIE's players share with it. Therefore, CIE's business could be harmed by any significant change to applicable laws, regulations or industry practices regarding the use or disclosure of data CIE's players choose to share with it, or regarding the manner in which the express or implied consent of consumers for such use and disclosure is obtained. Such changes may require CIE to modify its games and features, possibly in a material manner, and may limit CIE's ability to develop new games and features that make use of the data that CIE's players voluntarily share with it.

CIE's business is subject to a variety of other U.S. and foreign laws, many of which are unsettled and still developing and which could subject CIE to claims or otherwise harm its business.

It is possible that a number of laws and regulations may be adopted or construed to apply to CIE in the United States and elsewhere that could restrict the social and mobile industry, including player privacy, advertising, taxation, content suitability, copyright, distribution and antitrust. For example, certain jurisdictions in the United States and elsewhere may deem CIE's social and mobile games to be gambling or marketing gambling to underage persons and therefore in violation of the laws of such jurisdictions. Furthermore, the growth and development of electronic commerce and virtual goods may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies such as CIE conducting business through the Internet and mobile devices. We anticipate that scrutiny and regulation of CIE's industry will increase and that CIE will be required to devote legal and other resources to address such regulation. For example, existing laws or new laws regarding the regulation of currency and banking institutions may be interpreted to cover real money gaming credits, virtual currency or virtual goods. If that were to occur CIE may be required to seek licenses, authorizations or approvals from relevant regulators, the granting of which may be dependent on CIE meeting certain capital and other requirements and CIE may be subject to additional regulation and oversight, all of which could significantly increase CIE's operating costs. Changes in current laws or regulations or the imposition of new laws and regulations in the United States or elsewhere regarding these activities may lessen the growth of social or mobile games or online real money gaming services and impair CIE's, and therefore CGP LLC's, business, financial condition, and operating results.

Any failure to protect CIE's trademarks or other intellectual property could have a negative impact on the value of CIE's brand names and adversely affect its business.

The development of intellectual property is part of CIE's overall business strategy and CIE regards its intellectual property to be an important element of its success. For example, CIE owns and manages the WSOP tournaments and circuit, and CIE licenses or sublicenses trademarks for a variety of products and businesses related to this brand. CIE also owns the *Slotomania* brand. CIE seeks to establish and maintain its proprietary rights in its business operations and technology through the use of patents, copyrights, trademarks and trade secret laws. CIE files applications for and obtains copyrights and trademarks

in the United States and in foreign countries where CIE believes filing for such protection is appropriate. CIE also seeks to maintain its trade secrets and confidential information by nondisclosure policies and through the use of appropriate confidentiality agreements. Despite CIE's efforts to protect its proprietary rights, parties may infringe its copyrights and trademarks and use information that CIE regards as proprietary and CIE's rights may be invalidated or unenforceable. In addition, parties may challenge CIE's copyright or trademark applications in the United States or other jurisdictions. The laws of some foreign countries do not protect proprietary rights to as great an extent as do the laws of the United States. Monitoring the unauthorized use of CIE's intellectual property is difficult. Litigation may be necessary to enforce CIE's intellectual property rights or to determine the validity and scope of the proprietary rights of others. Litigation of this type could result in substantial costs and diversion of CIE's resources. The unauthorized use or reproduction of CIE's trademarks could diminish the value of its brand and its market acceptance, competitive advantages or goodwill, which could have a material adverse effect on CIE's, therefore CGP LLC's, business, financial condition and operating results.

In the future, it is possible that CIE will face allegations that it has infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including from its competitors, non-practicing entities and former employers of its personnel. Patent and other intellectual property litigation may be protracted and expensive, and the results are difficult to predict. As the result of any court judgment or settlement, CIE may be obligated to cancel the launch of a new game, stop offering certain features, pay royalties or significant settlement costs, purchase licenses or modify its games and features while it develops substitutes.

The Leahy-Smith America Invents Act (the "Leahy-Smith Act"), was adopted in September 2011. The Leahy-Smith Act includes a number of significant changes to United States patent law, including provisions that affect the way patent applications will be prosecuted and may also affect patent litigation. The United States Patent and Trademark Office is currently developing regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act did not become effective until up to 18 months after its enactment. Accordingly, it is not clear what, if any, impact the Leahy-Smith Act will have on the operation of CIE's business. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of CIE's patent applications and the enforcement or defense of its issued patents, all of which could harm its business.

CIE's business strategy is premised, in part, on the legalization of online real money gaming in the United States and its ability to predict and capitalize on any such legalization.

In the last few years, California, Florida, Pennsylvania, New York, Mississippi, Hawaii, Massachusetts, Iowa, Illinois, Washington D.C. and the Federal government have considered legislation that would legalize online real money gaming. To date, only Nevada, Delaware and New Jersey have enacted such legislation. If a large number of additional states or the Federal government fail to enact online real money gaming legislation or CIE is unable to obtain the necessary licenses to operate online real money gaming websites in United States jurisdictions where such games are legalized, CIE's future growth could be materially impaired as CIE would be limited to offering online real money gaming to players in jurisdictions outside the United States where legal. In addition, states or the Federal government may legalize online real money gaming in a manner that is unfavorable to CIE. For example, several states and the Federal government are considering draft laws that require online casinos to also have a license to operate a brick-and-mortar casino, either directly or indirectly through an affiliate. If, like Nevada and New Jersey, U.S. jurisdictions enact legislation legalizing real money casino gaming subject to this brick-and-mortar requirement, CIE may be unable to offer online real money gaming in such jurisdictions if CIE is unable to establish an affiliation with a brick-and-mortar casino in such jurisdiction. If, however, legislation is enacted legalizing real money casino gaming without this requirement, CIE would lose its advantage over some of its potential competitors that do not have an affiliate with a brick-and-mortar casino operation. The loss of this or other similar advantages CIE receives as an affiliate of Caesars Entertainment could materially impair its ability to grow its online real money gaming business in the future.

There also exists in the online real money gaming industry a significant "first mover" advantage. CIE's ability to compete effectively in respect of a particular style of online real money gaming in the United States may be premised on introducing a style of gaming before its competitors. CIE's failure to do so could materially impair its ability to grow its online real money gaming business in the future.

In addition to the risk that online real money gaming will be legalized in a manner unfavorable to CIE, CIE may fail to accurately predict when online real money gaming will be legalized in significant jurisdictions. The legislative process in each U.S. state and at the Federal level is unique and capable of rapid, often unpredictable change. If CIE fails to accurately forecast when and how, if at all, online real money gaming will be legalized in additional U.S. jurisdictions, such failure could impair CIE's readiness to introduce online real money gaming offerings in such jurisdictions, which could have a material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and operating results.

Nevada, Delaware and New Jersey are the only U.S. jurisdictions that have affirmatively legalized online real money gaming and are small jurisdictions that may not yield significant revenue.

Nevada, Delaware and New Jersey are the only U.S. jurisdictions that have enacted legislation legalizing online real money gaming. Both Nevada and Delaware are relatively small jurisdictions in terms of population compared to the rest of the United States and there may be significant competition for online real money gaming in these jurisdictions, and as a result, CIE may not be able to obtain a significant amount of revenue in these jurisdictions.

Individuals may seek to participate in online real money gaming in jurisdictions where it is illegal. If CIE is unsuccessful in blocking such individuals, CIE may suffer legal penalties or an impairment of its ability to offer online real money gaming in general.

Individuals in jurisdictions in which online real money gaming is illegal may nonetheless seek to engage CIE's online real money gaming offerings. While CIE will take steps to block access by individuals in such jurisdictions, those steps may be unsuccessful. In the event that individuals in jurisdictions in which online real money gaming is illegal engage CIE's online real money gaming offerings, CIE may be subject to criminal sanctions, regulatory penalties, the loss of existing or future licenses necessary to offer online real money gaming or other legal liabilities, any one of which could have a material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and operating results. For example, gambling laws and regulations in many jurisdictions require gaming industry participants to maintain strict compliance with various laws and regulations. If CIE is unsuccessful in blocking access to its online real money gaming offerings by individuals in a jurisdiction where such offerings are illegal, CIE could lose or be prevented from obtaining a license necessary to offer online real money gaming in a jurisdiction in which such offerings are legal and CGP LLC's other gaming licenses may be materially impacted.

Social and mobile games may become subject to regulation or prohibition in certain jurisdictions, which could increase CIE's compliance costs or limit the number of jurisdictions in which CIE is able to offer social and mobile games.

Certain jurisdictions may seek to regulate social and mobile games. For example, the UK Gambling Commission publicly indicated that it will consider whether to regulate social and mobile games in the future after considering the issues of consumer protection. Under recent proposed legislation in Australia, certain online social games with a paid-for element would fall under the Interactive Gambling Act, and by being considered gambling would be at risk of outright ban. Thus far, in considering whether regulation or restriction is necessary, most jurisdictions have been interested in understanding the games and whether they constitute gambling under their laws or otherwise require regulation to protect the consumer. If the UK, Australia, or another jurisdiction important to CIE's social and mobile games business regulates or restricts the business, it could have material impacts on how we market our product, on the cost of associated with compliance with such regulation or, depending on the nature of the regulation, CIE could be prohibited from providing social and mobile games, all of which could have material adverse impacts on CIE's, and therefore CGP LLC's, business, financial condition and operating results.

CIE is dependent on a small number of third parties for its online real money gaming platforms.

CIE contracts with a small number of third-party partners to develop, launch, maintain and operate its software platforms for online real money gaming, including its relationship with 888 poker software ("888") and Amaya. In addition, CIE enters into license agreements and pays license fees for certain intellectual property rights for the development, launch, maintenance and operation of CIE's real money gaming services. If, in the future, these third parties choose not to provide such services or licenses to CIE on terms acceptable to it, CIE will have to seek alternative means of securing comparable services or licenses, which may be on terms that are not as favorable as the current terms. With respect to CIE's platforms for online real money gaming, the termination of these services or licenses by any of these third parties could delay the launch of CIE's real money online poker operations in the United States if such operations are legalized. For example, if CIE's agreement with 888 related to online gaming services in the United States were to be breached, CIE would not be able to offer online poker in Nevada and/or New Jersey. The occurrence of such events could have a material adverse effect on CIE's, and therefore CGP LLC's, business, financial condition and operating results.

Recent changes in U.S. tax laws, the enactment of future legislation implementing changes in the U.S. taxation of international business activities, a change in the application of the tax laws of various jurisdictions or the adoption of other tax reform policies could materially impact CIE's financial position and results of operations.

Recent changes to U.S. tax laws, including limitations on the ability of taxpayers to claim and utilize foreign tax credits and the deferral of certain tax deductions until earnings outside of the United States are repatriated to the United States, as well as changes to U.S. tax laws that may be enacted in the future, could impact the tax treatment of CIE's foreign earnings. The Obama administration has made public statements indicating that it has made international tax reform a priority, and key members of the U.S. Congress have conducted hearings and proposed legislation in the past that addresses several international tax issues. Due to the large and expanding scale of CIE's international business activities, any changes in the U.S. taxation of such activities may increase CIE's worldwide effective tax rate and harm CIE's, and therefore CGP LLC's, financial position and

results of operations. Additionally, any increase or changes in taxes in other countries where CIE has significant operations, such as Israel, could harm CIE's, and therefore CGP LLC's, financial position and results of operations.

Moreover, CIE's corporate structure and intercompany arrangements, including the manner in which CIE develops and uses its intellectual property and the transfer pricing of its intercompany transactions, are intended to provide CIE worldwide tax efficiencies. The application of the tax laws of various jurisdictions, including the United States, to CIE's international business activities is subject to interpretation and depends on CIE's ability to operate its business in a manner consistent with its corporate structure and intercompany arrangements. The taxing authorities of the jurisdictions in which CIE operates may challenge CIE's methodologies for valuing developed technology or intercompany arrangements, including CIE's transfer pricing, or determine that the manner in which CIE operates its business is not consistent with the manner in which CIE reports its income to the jurisdictions, which could increase CIE's worldwide effective tax rate and harm its, and therefore CGP LLC's, financial position and results of operations.

CIE is no longer a member of Caesars Entertainment's consolidated group for U.S. federal income tax purposes, which will trigger intercompany gains between CIE and Caesars Entertainment or other members of Caesars Entertainment's consolidated group. CIE could be liable for taxes owed by Caesars Entertainment for periods prior to the date CIE became deconsolidated including with respect to the intercompany gains.

Following the closing of the Rights Offering as defined in Item 1 - Business of our Annual Report on Form 10-K for the year ended December 31, 2013, Caesars Entertainment no longer owns 80% or more of the common stock of CIE, and therefore, under U.S. federal income tax laws, CIE ceased to be a member of Caesars Entertainment's consolidated group for U.S. federal income tax purposes. The triggering of deferred intercompany gains between CIE and Caesars Entertainment or other members of Caesars Entertainment's consolidated group resulted in the realization of a gain for Caesars Entertainment with respect to the WSOP assets that CIE acquired from CEOC and its subsidiaries.

After its deconsolidation from Caesars Entertainment's consolidated group, CIE is the parent of a new consolidated group for U.S. federal income tax purposes. Pursuant to the terms of the tax matters agreement between CIE and Caesars Entertainment (the "Tax Matters Agreement"), however, CIE may be required to make payments to Caesars Entertainment in respect of taxes owed by Caesars Entertainment for periods prior to the date CIE became deconsolidated. In addition, under U.S. federal income tax laws, each member of a consolidated group is liable for the consolidated group's entire tax obligation. Therefore, to the extent that Caesars Entertainment, or other members of Caesars Entertainment's consolidated group, fail to make any U.S. federal income tax payments required by law attributable to periods during which CIE was a member of Caesars Entertainment's consolidated group, CIE could be liable for the shortfall. Similar principles may apply for foreign, state or local income tax purposes where CIE filed combined, consolidated or unitary returns with Caesars Entertainment or its subsidiaries for foreign, state or local income tax purposes.

Risks Related to CGP LLC's Casino Properties and Developments Business

CGP LLC's Casino Properties and Developments business is particularly sensitive to reductions in discretionary consumer spending resulting from downturns in the economy, the volatility and disruption of the capital and credit markets, adverse changes in the global economy and other factors which could negatively impact our financial performance and our ability to access financing.

Changes in discretionary consumer spending or consumer preferences are driven by factors beyond CGP LLC's control, such as perceived or actual general economic conditions; high energy, fuel and other commodity costs; the cost of travel; the potential for bank failures; a soft job market; an actual or perceived decrease in disposable consumer income and wealth; fears of recession and changes in consumer confidence in the economy; and terrorist attacks or other global events. CGP LLC's Casino Properties and Developments business is particularly susceptible to any such changes because Planet Hollywood offers, and we expect that the Maryland Joint Venture will offer, a highly discretionary set of entertainment and leisure activities and amenities. If discretionary consumer spending declines, then CGP LLC's results of operations will be adversely impacted.

The continuing economic downturn and adverse conditions in the local, regional, national and global markets have negatively affected CGP LLC and may continue to negatively affect CGP LLC in the future. During periods of economic contraction, CGP LLC's revenues may decrease while some of its costs remain fixed or even increase, resulting in decreased earnings. In addition, CGP LLC may also be unable to find additional cost savings to offset any decrease in revenues. Even an uncertain economic outlook may adversely affect consumer spending in CGP LLC's gaming operations and related facilities, as consumers spend less in anticipation of a potential economic downturn.

Theoretical win rates for CGP LLC's casino operations depend on a variety of factors, some of which are beyond its control.

The gaming industry is characterized by an element of chance. Accordingly, theoretical win rates are employed to estimate what a certain type of game, on average, will win or lose in the long run. In addition to the element of chance, theoretical win rates are also affected by the spread of table limits and factors that are beyond CGP LLC's control, such as a

player's skill and experience and behavior, the mix of games played, the financial resources of players, the volume of bets placed and the amount of time players spend gambling. As a result of the variability in these factors, the actual win rates at the casino may differ from the theoretical win rates and could result in the winnings of CGP LLC's gaming customers exceeding those anticipated. The variability of these factors, alone or in combination, have the potential to negatively impact our actual win rates, which may adversely affect CGP LLC's business, financial condition, results of operations and cash flows.

Our business is particularly sensitive to energy prices and a rise in energy prices could harm our operating results.

We are a large consumer of electricity and other energy and, therefore, higher energy prices may have an adverse effect on our results of operations. Accordingly, increases in energy costs may have a negative impact on our operating results. Additionally, higher electricity and gasoline prices which affect our customers may result in reduced visitation to our resorts and a reduction in our revenues. We may be indirectly impacted by regulatory requirements aimed at reducing the impacts of climate change directed at up-stream utility providers, as we could experience potentially higher utility, fuel, and transportation costs.

Work stoppages and other labor problems could negatively impact our future profits .

Some of the employees at CGP LLC's properties are represented by labor unions. A lengthy strike or other work stoppage at one of CGP LLC's properties could have an adverse effect on our business and results of operations. From time to time, we have also experienced attempts to unionize certain of our non-union employees, and we cannot provide any assurance that we will not experience additional union activity in the future. There has been significant union activity in a number of jurisdictions in which we operate, including Las Vegas and, if the Contemplated Transaction is consummated, in Louisiana. For example, segments of the workforce at The Quad and Harrah's New Orleans recently opted to be represented by the Culinary Union. If this activity further affects our workforce, it could negatively impact our profits.

CGP LLC's casino operations extend credit to its customers and may not be able to collect gaming receivables from its credit players.

Planet Hollywood and the properties subject to the Transaction Agreement conduct, and Horseshoe Baltimore is expected to conduct, its gaming activities on a credit basis as well as a cash basis, which credit is unsecured. Table games players typically are extended more credit than slot players, and high stakes players are typically extended more credit than patrons who tend to wager lower amounts. High-end gaming is more volatile than other forms of gaming, and variances in win-loss results attributable to high-end gaming may have a significant positive or negative impact on cash flow and earnings in a particular quarter.

Planet Hollywood extends credit to those customers whose level of play and financial resources warrant, in the opinion of Planet Hollywood's management, an extension of credit. These receivables could have a significant impact on our results of operations if deemed uncollectible.

We cannot assure you that we will be able to retain our performers and other entertainment offerings on acceptable terms or at all.

CGP LLC's properties' entertainment offerings are only under contract for a limited time. For example, our contract with Britney Spears is set to expire, subject to certain termination rights, in December 2015. We cannot assure you that we will be able to retain our performers or other shows on acceptable terms or at all. In addition, the third parties which we depend on for CGP LLC's properties' entertainment offerings may become incapable or unwilling to provide their services at the level agreed upon or at all. These and other of our entertainment offerings draw customers to CGP LLC's properties and are a significant source of our revenue.

Furthermore, CGP LLC's properties are managed by subsidiaries of CEOC, which also manage other properties owned by Caesars Entertainment and its other subsidiaries, and our entertainment offerings will be determined by these management companies and not by us. If we are unable to retain our resident performers or engage replacement performers of comparable popularity on acceptable terms, or if the third parties on which we depend to determine and negotiate contracts for CGP LLC's properties' entertainment offerings were to become incapable or unwilling to provide their services at the level agreed upon or at all, we may suffer a decline in visitors to CGP LLC's properties and a loss of profits. We also rely on other third parties to manage other entertainment offerings at CGP LLC's properties, including certain of the nightclubs, bars and restaurants. For example, the nightclub/poolclub at The Cromwell, which we anticipate will be a significant attraction to that complex, will be managed by a third party. If the manager of the club becomes incapable or unwilling to manage it at the agreed upon levels, the number of guests visiting The Cromwell may decrease, which would have a negative impact on our results of operations at that property.

We face the risk of fraud and cheating.

Casino gaming customers may attempt or commit fraud or cheat in order to increase winnings. Acts of fraud or cheating could involve the use of counterfeit chips or other tactics, possibly in collusion with the employees of CGP LLC's casinos. Internal acts of cheating could also be conducted by employees through collusion with dealers, surveillance staff, floor managers

or other casino or gaming area staff. Failure to discover such acts or schemes in a timely manner could result in losses in gaming operations. In addition, negative publicity related to such schemes could have an adverse effect on CGP LLC's reputation, potentially causing a material adverse effect on CGP LLC's business, financial condition, results of operations and cash flows.

If we are unable to effectively compete against our competitors, our profits will decline.

The gaming industry is highly competitive and CGP LLC's competitors vary considerably in size, quality of facilities, number of operations, brand identities, marketing and growth strategies, financial strength and capabilities, and geographic diversity. CGP LLC also competes with other non-gaming resorts and vacation areas, and with various other entertainment businesses. Competitors in each market that we participate may have greater financial, marketing, or other resources than CGP LLC do, and there can be no assurance that they will not engage in aggressive pricing action to compete with CGP LLC. Although we believe CGP LLC is currently able to compete effectively in each of the various markets in which we participate, we cannot ensure that CGP LLC will be able to continue to do so or that they will be capable of maintaining or further increasing their current market share. CGP LLC's failure to compete successfully in their various markets could adversely affect their business, financial condition, results of operations, and cash flow.

Our business may be adversely impacted by the additional gaming and room capacity in Nevada and Louisiana and by the initiation and growth of online gaming in Nevada, Louisiana and other states. In addition, our operations located in Louisiana may be adversely impacted by the expansion of gaming in Mississippi and the Gulf Coast, and our operations located in Nevada may be adversely impacted by the expansion of gaming in California. In recent years, many casino operators have been reinvesting in existing markets to attract new customers or to gain market share, thereby increasing competition in those markets. As companies have completed new expansion projects, supply has typically grown at a faster pace than demand in some markets, including Las Vegas, CGP LLC's largest market, and competition has increased significantly. For example, CityCenter, a large development of resorts and residences, opened in December 2009, SLS Las Vegas, a 1,600 room hotel and casino, is expected to open in Fall 2014 on the northern end of the Strip near Circus Circus, and the Genting Group has announced plans to develop a 3,500 room hotel and 175,000 square foot casino called Resorts World Las Vegas, which is expected to open in 2016 on the northern end of the Strip near Circus Circus. Also, in response to changing trends, Las Vegas operators have been focused on expanding their non-gaming offerings, including upgrades to hotel rooms, new food and beverage offerings, and new entertainment offerings. MGM has announced plans for The Park, which includes a new retail and dining development on the land between New York-New York and Monte Carlo, a renovation of the Strip-front facades of both resorts and a new 20,000 seat indoor arena for sporting events and concerts operated by AEG. Construction of The Park is expected to be complete in 2014, with the arena expected to be complete in 2016. Additionally, SkyVue, a proposed 500-foot observation wheel, has been in construction since 2012. There have also been proposals for other large scale non-gaming development projects in Las Vegas by various other developers, including other arenas, observation wheels and a roller coaster, however, there are no details as to when or if these projects will be complete. The expansion of existing casino entertainment properties, the increase in the number of properties and the aggressive marketing strategies of many of CGP LLC's competitors have increased competition in many markets in which they operate, and this intense competition is expected to continue. These competitive pressures have and are expected to continue to adversely affect CGP LLC's financial performance.

In addition, in the mid-Atlantic region, existing casino resorts provide a number of gaming options for customers, thereby creating significant competition for Horseshoe Baltimore. The casino resorts in the mid-Atlantic region compete with each other on the basis of overall atmosphere, range of amenities, level of service, price, location, entertainment offered and size. Further, the casino resort that will open with the sixth license in Prince George's County granted by the State of Maryland may draw additional customers away from Horseshoe Baltimore. If Horseshoe Baltimore is unable to effectively compete with other regional casino resorts or keep customers, this inability may negatively affect Horseshoe Baltimore's, and therefore CGP LLC's, business and operations.

Reduction in discretionary consumer spending resulting from the downturn in the national economy over the past few years, the volatility and disruption of the capital and credit markets, adverse changes in the global economy and other factors could negatively impact our financial performance and our ability to access financing.

Changes in discretionary consumer spending or consumer preferences are driven by factors beyond our control, such as perceived or actual general economic conditions; high energy, fuel and other commodity costs; the cost of travel; the potential for bank failures; a soft job market; an actual or perceived decrease in disposable consumer income and wealth; the recent increase in payroll taxes; increases in gaming taxes or fees; fears of recession and changes in consumer confidence in the economy; and terrorist attacks or other global events. Our business is particularly susceptible to any such changes because our casino properties offer a highly discretionary set of entertainment and leisure activities and amenities. Gaming and other leisure activities we offer represent discretionary expenditures and participation in such activities may decline if discretionary consumer spending declines, including during economic downturns, during which consumers generally earn less disposable income. The economic downturn that began in 2008 and adverse conditions in the local, regional, national and global markets have negatively affected our business and results of operations and may continue to negatively affect our operations in the future. During periods of economic contraction, our revenues may decrease while most of our costs remain fixed and some costs even increase,

resulting in decreased earnings. While economic conditions have improved, our revenues may continue to decrease. For example, while the gaming industry has partially recovered from 2008, there are no assurances that the gaming industry will continue to grow as a result of economic downturn or other factors. Any decrease in the gaming industry could adversely affect consumer spending and adversely affect our operations.

Additionally, key determinants of our revenues and operating performance include hotel ADR, number of gaming trips and average spend per trip by our customers. Given that 2007 was the peak year for our financial performance and the gaming industry in the United States in general, we may not attain those financial levels in the near term, or at all. If we fail to increase ADR or any other similar metric in the near term, our revenues may not increase and, as a result, we may not be able to pay down our existing debt, fund our operations, fund planned capital expenditures or achieve expected growth rates, all of which could have a material adverse effect on our business, financial condition, results of operations and cash flow. Even an uncertain economic outlook may adversely affect consumer spending in our gaming operations and related facilities, as consumers spend less in anticipation of a potential economic downturn. Furthermore, other uncertainties, including national and global economic conditions, terrorist attacks or other global events, could adversely affect consumer spending and adversely affect our operations

CGP LLC's Casino Properties and Developments Business may be subject to material environmental liability, including as a result of unknown environmental contamination.

The Casino Properties and Developments Business is subject to certain federal, state and local environmental laws, regulations and ordinances which govern activities or operations that may have adverse environmental effects, such as emissions to air, discharges to streams and rivers and releases of hazardous substances and pollutants into the environment, as well as handling and disposal from municipal/non-hazardous waste, and which also apply to current and previous owners or operators of real estate generally. Federal examples of these laws include the Clean Air Act, the Clean Water Act, the Resource Conservation Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act and the Oil Pollution Act of 1990. Certain of these environmental laws may impose cleanup responsibility and liability without regard to whether the owner or operator knew of or caused particular contamination or release of hazardous substances. Should unknown contamination be discovered on CGP LLC's property, or should a release of hazardous substances occur on CGP LLC's property, CGP LLC could be required to investigate and clean up the contamination and could also be held responsible to a governmental entity or third parties for property damage, personal injury or investigation and cleanup costs incurred in connection with the contamination or release, which may be substantial. Moreover, such contamination may also impair CGP LLC's ability to use the affected property. Such liability could be joint and several in nature, regardless of fault, and could affect CGP LLC even if such property is vacated. The potential for substantial costs and an inability to use the property could adversely affect our business.

CGP LLC's insurance coverage may not be adequate to cover all possible losses it could suffer, and, in the future, its insurance costs may increase significantly or it may be unable to obtain the same level of insurance coverage.

Planet Hollywood, Horseshoe Baltimore or the Properties subject to the Transaction Agreement may suffer damage to its property caused by a casualty loss (such as fire, natural disasters and acts of war or terrorism) that could severely disrupt its business or subject it to claims by third parties who are injured or harmed. Although CGP LLC maintains insurance (including property, casualty, terrorism and business interruption insurance), that insurance may be inadequate or unavailable to cover all of the risks to which its business and assets may be exposed. Should an uninsured loss or loss in excess of insured limits occur, it could have a significant adverse impact on CGP LLC's operations and revenues.

CGP LLC renews its insurance policies on an annual basis. If the cost of coverage becomes too high, CGP LLC may need to reduce its policy limits or agree to certain exclusions from its coverage in order to reduce the premiums to an acceptable amount. Among other factors, homeland security concerns, other catastrophic events or any change in the current U.S. statutory requirement that insurance carriers offer coverage for certain acts of terrorism could adversely affect available insurance coverage and result in increased premiums on available coverage (which may cause CGP LLC to elect to reduce its policy limits) and additional exclusions from coverage. Among other potential future adverse changes, in the future CGP LLC may elect to not, or may be unable to, obtain any coverage for losses due to acts of terrorism.

Planet Hollywood licenses the Planet Hollywood brand from affiliates of Robert Earl and there can be no assurances that the Planet Hollywood brand would not be negatively impacted by its use outside of our control.

Affiliates of Robert Earl license certain intellectual property relating to the operation of the Planet Hollywood Resort and Casino to Planet Hollywood. The license includes certain names and trademarks and the right to display certain memorabilia on the Planet Hollywood premises. Planet Hollywood has invested significant time and financing to establish its brand as a Hollywood-themed entertainment and non-gaming destination. The expiration or termination, or modification of the terms, of this license may have a materially adverse effect on Planet Hollywood's, and therefore CGP LLC's, business, financial conditions and operations results.

In addition, the Planet Hollywood brand is used by affiliates of Robert Earl in Hollywood-themed restaurants and shops around the United States and internationally. Any negative events associated with the use of the Planet Hollywood brand with

these restaurants and shops may be out of CGP LLC's control, and may negatively impact the brand's image for the Planet Hollywood casino, which could harm Planet Hollywood's, therefore CGP LLC's, business and results of operations.

The success of third parties adjacent to Planet Hollywood is important to our ability to generate revenue and operate our business and any deterioration to their success could materially adversely affect our revenue and operations.

Planet Hollywood does not own the businesses and amenities adjacent to its property such as the Miracle Mile Shops and the hotel tower and timeshare facility operated by Hilton Grand Vacations. However, these adjacent third-party businesses and amenities stimulate additional traffic through the Planet Hollywood complex, including the casino, which is Planet Hollywood's largest generator of revenue. Any decrease in the popularity of, or the number of customers visiting, these adjacent businesses and amenities may lead to a corresponding decrease in the traffic through Planet Hollywood complex, which would negatively affect Planet Hollywood's, and therefore CGP LLC's, business and operating results.

Certain of CGP LLC's properties are dependent on the success of third parties.

Certain of CGP LLC's properties are dependent on the success of third parties adjacent to CGP LLC's properties. These adjacent third-party businesses and amenities stimulate additional traffic through CGP LLC's properties, including the casinos. For example, we do not own the Grand Bazaar, which is currently being constructed directly in front of Bally's, but we expect we will rely on that complex to increase the number of visitors to Bally's. We also rely on the efforts of third parties in selling condominiums in the Westgate Resorts, located adjacent to Planet Hollywood. We also expect that the success of the Linq, an open-air dining, entertainment and retail development owned by CEOC that is currently in the final stages of development and located adjacent to The Quad, will have a significant impact on the success of The Quad. The popularity and success of these adjacent businesses and amenities may impact the traffic through CGP LLC's properties. Accordingly, we will be dependent on third parties for increasing visitors to certain of CGP LLC's properties.

Additionally, certain of CGP LLC's properties are dependent on space leased from third parties. To the extent such leases were to terminate or such properties were otherwise no longer available to us, our business and results of operations could be negatively affected.

CGP LLC's properties also depend on the success of third parties that manage businesses within certain of CGP LLC's properties, both for the revenues derived from these businesses and for the increases in visitors to these properties as a result of the businesses. For example, we expect that the success of The Cromwell will depend largely on the success of the nightclub and pool club featured at the complex, which will be managed by a third party. If this third party is not successful and does not drive visitors to the casino or hotel at The Cromwell, our business and results of operations could be negatively affected.

Adverse outcomes in legal proceedings could adversely affect the Horseshoe Baltimore Casino, including a delay in construction and ultimately the opening of the casino and possible abandonment of the project.

We are involved in legal proceedings concerning environmental approvals for the Horseshoe Baltimore Casino. A was filed in the Circuit Court for Baltimore City, Maryland on February 20, 2013 challenging the Maryland Department of the Environment's ("MDE") approval of an amendment to a cleanup plan, known as a response action plan ("RAP"), to address contamination at the Casino property (the "RAP litigation"). The RAP litigation seeks to vacate the existing RAP for the site which is required as part of our participation in MDE's voluntary cleanup program ("VCP"). This case was dismissed by the Circuit Court for Baltimore City on November 6, 2013 and an appeal was noted on December 6, 2013. The same plaintiffs filed a citizen suit on September 19, 2013 in U.S. District Court for the Northern Division of Maryland under the Resource Conservation and Recovery Act ("RCRA"), alleging violations of RCRA and the existence of conditions which create an imminent and substantial endangerment to human health and the environment. A third complaint was filed on August 1, 2013 in the United States District Court for the Northern Division of Maryland. This action asserts claims similar to those alleged in the state court action and other federal causes of action including alleged violations of plaintiffs' civil rights and attempts to halt construction based on alleged defects in the RAP. Finally, complaints were filed on May 20, 2013 and July 23, 2013 respectively in state and federal court against the City of Baltimore alleging violations of water pollution control laws due to the contamination present at the property. These complaints were dismissed on September 12, 2013 and January 7, 2014, respectively.

Challenges to other environmental approvals issued by the MDE were threatened but never filed. Challenges to construction and zoning approvals and permits issued by the City of Baltimore were filed but were unsuccessful.

None of the approvals or permits we obtained have been rescinded as of the date of this Form 10-K. The time for challenging MDE's approval of CBAC's modified floodplain permit expired without a challenge being filed. No rights of appeal are provided for the other permits that have been issued by MDE to CBAC. Administrative challenges to Baltimore City grading permits and zoning approvals were filed and resolved in our favor by the City. No appeal was filed with regard to the grading permits and the appeal period has lapsed. The decision of the Board of Municipal Zoning Appeals to grant variances for the site was appealed to the Circuit Court for Baltimore City by separate parties on June 20 and 24, 2013. The Circuit Court dismissed those appeals on October 11, 2013 and the challengers did not appeal the Circuit Court's decision.

Developing the Maryland Joint Venture with other equity partners adds additional risk that may result in a material adverse effect on CGP LLC's business, financial condition and operating results.

CGP LLC indirectly holds approximately 41% interest in the Maryland Joint Venture. While CGP LLC can influence the management of the Maryland Joint Venture through its equity ownership, CGP LLC will rely on the other equity partners for providing certain funding for development of the Maryland Joint Venture and there can be no assurances that the other equity partners will provide sufficient funding, or any funding at all. The failure of other equity partners in the Maryland Joint Venture to provide the appropriate level of funding may result in a material adverse effect on CGP LLC's business, financial condition and operating results.

Continued growth in consumer demand for non-gaming offerings would negatively impact our gaming revenue.

Recent trends have indicated a growing shift in customer demand for non-gaming offerings, as opposed to solely gambling, when visiting Las Vegas. According to LVCVA, approximately 47% of Las Vegas visitors in 2012 indicated that their primary reason to visit was for vacation or pleasure as opposed to solely for gambling as the main attraction, up from 39% of visitors in 2008. For the three months ended March 31, 2014, approximately 42.7% of our gross revenues from Planet Hollywood were from gaming sources. To the extent the demand for non-gaming offerings replaces demand for gambling, our gaming revenues will decrease, which could have an adverse impact on our business and results of operations.

Costs and complexities in the renovation of The Quad could delay its renovation and could be greater than the indemnification provided for by CEOC.

The costs and complexities of the \$223 million renovation of The Quad may be greater than we anticipate. It is common with significant renovation projects to experience unexpected costs, problems and delays during construction, development and operational start-up. To the extent such expenses are greater than the indemnification provided by CEOC under the Transaction Agreement, we would be liable for such excess. In addition, Caesars Entertainment and certain of its affiliates have agreed to indemnify CAC, CGP LLC and certain of their affiliates for a failure to open the hotel and casino at The Cromwell by a specified date and for failure to open the restaurant and nightclub/poolclub at The Cromwell by a specified date. In the event that there is a delay in opening the hotel, casino, restaurant or nightclub/poolclub at The Cromwell, there is no guarantee that Caesars Entertainment and CEOC will be able to pay the indemnities required under the Transaction Agreement. Any failure to make such payments and any delays in opening the applicable projects could have an adverse impact on our business and results of operations.

Risks Related to Our Class A Common Stock

Caesars Entertainment's call right on our Class A common stock may result in you being forced to sell our Class A common stock at a disadvantageous time and will cause you to own stock of Caesars Entertainment. This call right may not occur at all due to the discretion of Caesars Entertainment or the inability of Caesars Entertainment to meet the conditions required to exercise such right.

After October 21, 2016, Caesars Entertainment will have the right, which it may assign to any of its affiliates or to any transferee of all non-voting units of CGP LLC held by Caesars Entertainment, to acquire all or a portion of the voting units of CGP LLC (or, at our option, shares of CAC's Class A common stock) not otherwise owned by Caesars Entertainment at such time. As a result, you may be forced to sell your shares of CAC's Class A common stock on little notice and at a value that may cause you to realize a loss. The exercise of this right by Caesars Entertainment will result in you receiving consideration entirely or partly in the form of stock of Caesars Entertainment, which may be a tax-free reorganization for U.S. federal income tax purposes in certain circumstances. If the exchange is not a tax-free reorganization, you may recognize gain or loss for U.S. federal income tax purposes on such exchange depending on the amount of cash and the value of the stock of Caesars Entertainment you receive in such exchange and the adjusted tax basis of your shares of CAC's Class A common stock. There can be no assurances that the stock of Caesars Entertainment will maintain its value from the time of Caesars Entertainment's exercise of the call right or be part of an active trading market. As a consequence, you may be forced to dispose of the stock of Caesars Entertainment at a great loss.

In addition, Caesars Entertainment may exercise the call right in its sole discretion, subject to meeting certain conditions, so Caesars Entertainment may decide to not exercise the call right for any reason whatsoever. Moreover, if Caesars Entertainment does not meet certain liquidity requirements, debt leverage ratio and other requirements, it will be unable to exercise the call right. The uncertainty as to the timing of the exercise of the call right, if at all, by Caesars Entertainment may adversely affect the trading value of our stock.

CGP LLC is required to be liquidated on April 21, 2022, which may result in you receiving less than the full value of your Class A common stock.

Following October 21, 2018 and until April 21, 2022, our Board will have the right to cause a liquidation of CGP LLC, including the sale or winding up of CGP LLC or other monetization of all of its assets. On April 21, 2022 (unless otherwise

agreed by Caesars Entertainment and CAC), if our Board has not previously exercised its liquidation right, CGP LLC shall, and our Board shall cause CGP LLC to, effect a liquidation. Because the liquidation will occur on a set schedule, it is possible that regulations or market factors at the time of liquidation may impede the ability to liquidate the assets of CGP LLC. If CGP LLC is unable to liquidate portions of its assets, proceeds from the liquidation will be negatively impacted. Moreover, the forced liquidation does not preserve the flexibility to maximize the value of CGP LLC's assets in a sale by waiting for an advantageous time. In addition, CAC's allocable portion of the gain (if any) on the liquidation of the assets of CGP LLC will generally be subject to U.S. federal income tax at the regular corporate rate. As a result, you may receive less than the full value of your Class A common stock should liquidation occur on April 21, 2022.

An active trading market for our Class A common stock may not develop.

Prior to the closing of the Rights Offering as defined in Item 1 - Business of our Annual Report on Form 10-K for the year ended December 31, 2013, and our listing on the NASDAQ Global Select market ("NASDAQ") on November 19, 2013, there had not been a public market for our Class A common stock. We cannot predict the extent to which investor interest in us will lead to the development of an active trading market or how liquid that market might become. The Sponsors own approximately 66.3% of our common stock and while the shares are eligible for resale, currently such shares are not available for the public market. As a result, our shares may be less liquid than the shares of other newly public companies or other public companies generally and there may be imbalances between supply and demand for our shares. As a result our share price may experience significant volatility and may not necessarily reflect the value of our expected performance. If an active trading market does not develop, you may have difficulty selling any of our common stock that you buy. Consequently, you may not be able to sell our Class A common stock at prices equal to or greater than the price you paid.

Future sales or the possibility of future sales of a substantial amount of our Class A common stock may depress the price of shares of our Class A common stock.

Future sales or the availability for sale of substantial amounts of our Class A common stock in the public market could adversely affect the prevailing market price of our Class A common stock and could impair our ability to raise capital through future sales of equity securities.

All of the outstanding shares of our Class A common stock are eligible for resale under Rule 144 or Rule 701 of the Securities Act, subject to volume limitations, applicable holding period requirements and the lock-up agreements or other contractual restrictions related to certain of our shareholders.

We cannot predict the size of future issuances of our Class A common stock or other securities or the effect, if any, that future issuances and sales of our Class A common stock or other securities, including future sales by Caesars Entertainment, will have on the market price of our Class A common stock. Sales of substantial amounts of Class A common stock (including shares of Class A common stock issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices for our Class A common stock.

The price and trading volume of our Class A common stock may fluctuate significantly, and you could lose all or part of your investment.

The market price of our Class A common stock may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume of our Class A common stock may fluctuate and cause significant price variations to occur. Volatility in the market price of our Class A common stock may prevent you from being able to sell your shares at or above the price you paid for your shares of Class A common stock. The market price for our Class A common stock could fluctuate significantly for various reasons, including:

- our operating and financial performance and prospects;
- our quarterly or annual earnings or those of other companies in our industry;
- conditions that impact demand for the products and services of CGP LLC's businesses;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- changes in earnings estimates or recommendations by securities analysts who track our Class A common stock;
- market and industry perception of our success, or lack thereof, in pursuing our growth strategy;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- changes in government and environmental regulation, including gaming taxes;
- changes in accounting standards, policies, guidance, interpretations or principles;
- arrival and departure of key personnel;

- the small percentage of our shares that are publicly traded;
- changes in our capital structure;
- increases in market interest rates that would decrease the value of CGP LLC's fixed-rate securities;
- changes in the stock price of, or a restructuring of, Caesars Entertainment;
- sales of Class A common stock by us or affiliates of the Sponsors;
- the expiration of contractual lock-up agreements; and
- changes in general market, economic and political conditions in the United States and global economies or financial markets, including those resulting from natural disasters, terrorist attacks, acts of war and responses to such events.

In addition, in recent years, the stock market has experienced significant price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in the gaming, lodging, hospitality and entertainment industries. The changes frequently appear to occur without regard to the operating performance of the affected companies. Hence, the price of our Class A common stock could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce our share price.

Hamlet Holdings controls us and their interests may conflict with or differ from your interests as a stockholder.

Hamlet Holdings beneficially owns approximately 66.3% of our Class A common stock. Hamlet Holdings has the power to control our Board. Moreover, Hamlet Holdings has the ability to vote on any transaction that requires the approval of our Board or our stockholders, including the approval of significant corporate transactions such as mergers and the sale of substantially all of our assets. In addition, Hamlet Holdings, the members of which are comprised of three individuals affiliated with Apollo and two individuals affiliated with TPG, as of the date hereof beneficially own approximately 63.8% of Caesars Entertainment's common stock and controls Caesars Entertainment. As a result, even though an independent committee of the Board of Caesars Entertainment may make decisions with regard to development opportunities for CGP LLC, Hamlet Holdings is in a position to exert a significant influence over both of CAC and Caesars Entertainment and the direction of their business and operations.

The interests of Hamlet Holdings and the Sponsors could conflict with or differ from the interests of holders of our Class A common stock. Affiliates of the Sponsors are in the business of making or advising on investments in companies they hold, and may from time to time in the future acquire interests in or provide advice to businesses that directly or indirectly compete with certain portions of our business or are suppliers or customers of ours or may pursue acquisitions that may be complementary to our business, in which case and, as a result, those acquisition opportunities may not be available to us.

The concentration of ownership held by Hamlet Holdings could delay, defer or prevent a change of control of us or impede a merger, takeover or other business combination which another stockholder may otherwise view favorably. In addition, a sale of a substantial number of shares of stock in the future by Hamlet Holdings could cause our stock price to decline. So long as Hamlet Holdings continues to beneficially own a significant amount of the outstanding shares of our Class A common stock, Hamlet Holdings will continue to be able to strongly influence or effectively control our decisions.

Our stockholders are subject to extensive governmental regulation and if a stockholder is found unsuitable by the gaming authority, that stockholder would not be able to beneficially own our Class A common stock directly or indirectly and we will have the right to redeem the Class A common stock of such disqualified holder.

In many jurisdictions, gaming laws can require any of our stockholders to file an application, be investigated and qualify or have his, her or its suitability determined by gaming authorities. Gaming authorities have very broad discretion in determining whether an applicant should be deemed suitable. Subject to certain administrative proceeding requirements, the gaming regulators have the authority to deny any application or limit, condition, restrict, revoke or suspend any license, registration, finding of suitability or approval, or fine any person licensed, registered or found suitable or approved, for any cause deemed reasonable by the gaming authorities.

For example, under Nevada gaming laws, each person who acquires, directly or indirectly, beneficial ownership of any voting security, or beneficial or record ownership of any non-voting security or any debt security, in a public corporation which is registered with the Nevada Gaming Commission, or the Gaming Commission, may be required to be found suitable if the Gaming Commission has reason to believe that his or her acquisition of that ownership, or his or her continued ownership in general, would be inconsistent with the declared public policy of Nevada, in the sole discretion of the Gaming Commission. Any person required by the Gaming Commission to be found suitable shall apply for a finding of suitability within 30 days after the Gaming Commission's request that he or she should do so and, together with his or her application for suitability, deposit with the Nevada Gaming Control Board a sum of money which, in the sole discretion of the Control Board,

will be adequate to pay the anticipated costs and charges incurred in the investigation and processing of that application for suitability, and deposit such additional sums as are required by the Control Board to pay final costs and charges. Additionally, under Ohio law, an

institutional investor, which is broadly defined and includes any corporation that holds any amount of our stock, will be required to apply for and obtain a waiver of suitability determination.

Furthermore, any person required by a gaming authority to be found suitable, who is found unsuitable by the gaming authority, may not hold directly or indirectly the beneficial ownership of any voting security or the beneficial or record ownership of any non-voting security or any debt security of any public corporation which is registered with the gaming authority beyond the time prescribed by the gaming authority. Such a finding could result in an owner of our securities being required to dispose of their securities at prices less than the price paid for such securities. A violation of the foregoing may constitute a criminal offense. A finding of unsuitability by a particular gaming authority impacts that person's ability to associate or affiliate with gaming licensees in that particular jurisdiction and could impact the person's ability to associate or affiliate with gaming licensees in other jurisdictions. The Certificate of Incorporation contains provisions establishing the right to redeem our Class A common stock held by disqualified holders if such holder is determined by any gaming regulatory agency to be unsuitable.

Many jurisdictions also require any person who acquires beneficial ownership of more than a certain percentage of voting securities of a gaming company and, in some jurisdictions, non-voting securities, typically 5%, to report the acquisition to gaming authorities, and gaming authorities may require such holders to apply for qualification or a finding of suitability, subject to limited exceptions for "institutional investors" that hold a company's voting securities for investment purposes only. Under Maryland gaming laws, we may not sell or otherwise transfer more than 5% of the legal or beneficial interest in Horseshoe Baltimore without the approval of the Maryland Lottery and Gaming Control Commission, or the Maryland Commission, after the Maryland Commission determines that the transferee is qualified or grants the transferee an institutional investor waiver. Some jurisdictions may also limit the number of gaming licenses in which a person may hold an ownership or a controlling interest and in Maryland an individual or business entity may not own an interest in more than one video lottery facility. It is unclear whether and to what extent such prohibitions will apply to online real money gaming operations when and if such operations become legal in U.S. jurisdictions other than Nevada, New Jersey, and Delaware.

Your percentage ownership in us may be diluted in the future.

Your percentage ownership in CAC may be diluted in the future because of equity awards that may be granted to our directors, officers, employees and service providers in the future. We may decide to establish equity incentive plans that will provide for the grant of common stock-based equity awards to our directors, officers, employees and service providers. In addition, we may issue equity in order to raise capital or in connection with future acquisitions and strategic investments, which would dilute your percentage ownership.

Because we do not anticipate paying dividends on our Class A common stock in the foreseeable future, you should not expect to receive dividends on shares of our Class A common stock.

We have no present plans to pay cash dividends to our stockholders and, for the foreseeable future, intend to retain all of our earnings for use in our business. The declaration of any future dividends by us is within the discretion of our Board and will be dependent on our earnings, financial condition and capital requirements, as well as any other factors deemed relevant by our Board.

We are a "controlled company" within the meaning of the NASDAQ rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements.

Hamlet Holdings controls a majority of our voting Class A common stock. As a result, we are a "controlled company" within the meaning of the NASDAQ corporate governance standards. Under the NASDAQ rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements, including:

- the requirement that a majority of the Board consists of independent directors;
- the requirement that we have a nominating and corporate governance committee that is composed entirely of independent directors;
- the requirement that we have a compensation committee that is composed entirely of independent directors; and
- the requirement for an annual performance evaluation of the nominating and corporate governance and compensation committees.

We intend to utilize these exemptions. As a result, we will not have a majority of independent directors nor will our nominating and corporate governance and compensation committees consist entirely of independent directors and we are not required to have an annual performance evaluation of the nominating and corporate governance and compensation committees. Accordingly, you do not have the same protections afforded to stockholders of companies that are subject to all of the NASDAQ corporate governance requirements.

We are an "emerging growth company" and our possible election to delay adoption of new or revised accounting standards applicable to public companies may result in our financial statements not being comparable to those of other public companies. As a result of this and other reduced disclosure requirements applicable to emerging growth companies, our Class A common stock may be less attractive to investors.

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. In addition, Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards such that an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

We have elected to delay such adoption of new or revised accounting standards, and as a result, we may not comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. As a result, our financial statements may not be comparable to the financial statements of other public companies.

We may take advantage of these reporting exemptions until we are no longer an "emerging growth company." We will remain an "emerging growth company" until the earliest to occur of (i) the last day of the fiscal year during which our total annual gross revenues equal or exceed \$1.0 billion, (ii) the last day of the fiscal year following the fifth anniversary of our initial public offering, (iii) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt or (iv) the date on which we are deemed a "large accelerated filer" under Rule 12b-2 of the Exchange Act.

We cannot predict if investors will find our Class A common stock less attractive because we will rely on certain of these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile.

As a result of our becoming a company with publicly traded common stock, our expenses and administrative burden increased and will likely further increase particularly after we are no longer an "emerging growth company" as defined in the JOBS Act.

As a company with publicly traded common stock, we incur legal, accounting and other expenses that we did not incur as a company without a publicly traded equity security. In addition, our administrative staff is required to perform additional tasks. For example, we need to create or revise the roles and duties of our Board committees and retain a transfer agent. We are also required to hold an annual meeting for our stockholders, which will require us to expend resources to prepare, print and mail a proxy statement relating to the annual meeting.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act and related regulations implemented by the SEC and the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), which amended the Sarbanes-Oxley Act, among other federal laws, are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. Dodd-Frank, signed into law on July 21, 2010, effects comprehensive changes to the regulation of financial services in the United States and will subject us to additional federal regulation. We cannot predict with any certainty the requirements of the regulations ultimately adopted or how Dodd-Frank and such regulations will impact the cost of compliance for a company with publicly traded common stock. We are currently evaluating and monitoring developments with respect to Dodd-Frank and other new and proposed rules and cannot predict or estimate the amount of the additional costs we may incur or the timing of such costs. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed. We also expect that being a company with publicly traded common stock and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our Board, particularly to serve on our audit committee, and qualified executive officers.

As an "emerging growth company" as defined in the JOBS Act, we may take advantage of certain temporary exemptions from various reporting requirements, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. When these exemptions cease to apply, we expect to incur additional expenses and devote increased management effort toward ensuring compliance with them. We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs.

We may incur impairments to goodwill, indefinite-lived intangible assets, or long-lived assets which could negatively affect our future profits.

We have historically performed our annual impairment assessment of goodwill as of September 30, and finalized the assessment in the following quarter in some years. In 2013, we performed this September 30 assessment and subsequently changed our testing date to October 1. We did not change our methodology with the change in our testing date. We perform this assessment more frequently if impairment indicators exist. We determine the estimated fair value of each reporting unit as a function, or multiple, of EBITDA, combined with estimated future cash flows discounted at rates commensurate with the capital structure and cost of capital of comparable market participants, giving appropriate consideration to the prevailing borrowing rates within the casino industry in general. Both EBITDA multiples and discounted cash flows are common measures used to value and buy or sell businesses in the casino industry. We determine the estimated fair value of our nonamortizing intangible assets by primarily using the Relief From Royalty Method and Excess Earnings Method under the income approach.

We review the carrying value of our long-lived assets whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When performing this assessment, we consider current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition, and other economic, legal, and regulatory factors.

We are dependent upon CGP LLC's properties for future cash flows and our continued success depends on our ability to draw customers to CGP LLC's properties. Significant negative industry or economic trends, reduced estimates of future cash flows, disruptions to our business, slower growth rates or lack of growth in our business have resulted in significant write-downs and impairment charges during prior years, and, if one or more of such events occurs in the future, additional impairment charges may be required in future periods. If we are required to record additional impairment charges, this could have a material adverse impact on our consolidated financial statements.

Item 2. Unregistered Sales of Equity Securities and use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

Federal Investigation

In recent years, governmental authorities have been increasingly focused on AML policies and procedures, with a particular focus on the gaming industry. As an example, a major gaming company recently settled a U.S. Attorney investigation into its AML practices. On October 11, 2013, a subsidiary of Caesars Entertainment, Desert Palace, Inc. (the owner of Caesars Palace), received a letter from the FinCEN, stating that FinCEN is investigating Caesars Palace for alleged violations of the Bank Secrecy Act to determine whether it is appropriate to assess a civil penalty and/or take additional enforcement action against Caesars Palace. Additionally, Caesars Entertainment has been informed that a federal grand jury investigation related to the Company's anti-money laundering practices and procedures is ongoing. Caesars Entertainment is fully cooperating with both the FinCEN and grand jury investigations. Based on proceedings to date, Caesars Entertainment is currently unable to determine the probability of the outcome of these matters or the range of reasonably possible loss, if any.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
2.1	Transaction Agreement, dated March 1, 2014, by and among the Caesars Entertainment Corporation, Caesars Entertainment Operating Company, Inc., Caesars License Company, LLC, Harrah's New Orleans Management Company, Corner Investment Company, LLC, 3535 LV Corp., Parball Corporation, JCC Holding Company II, LLC, Caesars Acquisition Company and Caesars Growth Partners, LLC.	—	8-K	—	2.1	3/3/2014
2.2	First Amendment to Transaction Agreement, dated May 5, 2014, by and among the Caesars Entertainment Corporation, Caesars Entertainment Operating Company, Inc., Caesars License Company, LLC, Harrah's New Orleans Management Company, Corner Investment Company, LLC, 3535 LV Corp., Parball Corporation, JCC Holding Company II, LLC, Caesars Acquisition Company, Caesars Growth Partners, LLC.	—	8-K	—	2.1	05/06/14
3.1	First Amended and Restated Certificate of Incorporation of Caesars Acquisition Company, dated October 21, 2013.	—	10-Q	9/30/13	3.1	11/20/2013
3.2	Amended and Restated Bylaws of Caesars Acquisition Company, adopted October 21, 2013.	—	10-Q	9/30/13	3.2	11/20/2013
4.1	Form of Subscription Rights Certificate	—	S-1/A	—	4.2	10/4/2013
4.2	Indenture, dated as of April 17, 2014, among Caesars Growth Properties Holdings, LLC, Caesars Growth Properties Finance, Inc. and U.S. Bank National Association, as trustee, relating to the 9.375% Second-Priority Senior Secured Notes due 2022.	—	8-K	—	4.1	04/17/14
4.3	Registration Rights Agreement, dated as of April 17, 2014, by and among Caesars Growth Properties Holdings, LLC, Caesars Growth Properties Finance, Inc. and Citigroup Global Markets Inc., as representative of the initial purchasers.	—	8-K	—	4.2	04/17/14
†10.1	Caesars Acquisition Company 2014 Performance Incentive Plan	—	8-K	—	10.1	04/16/14
†10.2	Form Nonqualified Option Award Agreement under the Caesars Acquisition Company 2014 Performance Incentive Plan	—	8-K	—	10.2	04/16/14
†10.3	Form Restricted Stock Award Agreement under the Caesars Acquisition Company 2014 Performance	—	8-K	—	10.3	04/16/14

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
†10.4	Form Restricted Stock Unit Award Agreement under the Caesars Acquisition Company 2014 Performance Incentive Plan	—	8-K	—	10.4	04/16/14
10.5	Escrow Agreement, dated as of April 17, 2014, by and among Caesars Growth Properties Holdings, LLC and Caesars Growth Properties Finance, Inc., U.S. Bank National Association, as escrow agent and securities intermediary, and U.S. Bank National Association, as trustee.	—	8-K	—	10.1	04/17/14
†10.6	Management Agreement, dated May 5, 2014, by and between Cromwell Manager, LLC, Corner Investment Company, LLC, and solely for purposes of Article VII and Sections 16.1.2, 17.5.5, 17.7.3, 17.7.4, 17.7.5, 18.3 and 19.2, Caesars License Company, LLC.	—	8-K	—	10.1	05/06/14
†10.7	Management Agreement, dated May 5, 2014, by and between The Quad Manager, LLC, 3535 LV NewCo, LLC, and solely for purposes of Article VII and Sections 16.1.2, 17.5.5, 17.7.3, 17.7.4, 17.7.5, 18.3 and 19.2, Caesars License Company, LLC.	—	8-K	—	10.2	05/06/14
†10.8	Management Agreement, dated May 5, 2014, by and between Bally's Las Vegas Manager, LLC, Parball NewCo, LLC, and solely for purposes of Article VII and Sections 16.1.2, 17.5.5, 17.7.3, 17.7.4, 17.7.5, 18.3 and 19.2, Caesars License Company, LLC.	—	8-K	—	10.3	05/06/14
10.9	Credit Agreement, dated May 5, 2014, by and among Caesars Growth Properties Parent, LLC, Caesars Growth Properties Holdings, LLC, the lenders party thereto and Credit Suisse AG, Cayman Islands Branch, as administrative agent.	—	8-K	—	10.4	05/06/14
10.10	Note Purchase Agreement, dated May 5, 2014, by and among Caesars Entertainment Operating Company, Inc., Caesars Growth Partners, LLC and Caesars Growth Bonds, LLC.	—	8-K	—	10.5	05/06/14
10.11	Credit Agreement, dated November 2, 2012, by and among Caesars Entertainment Corporation, Corner Investment Propco, LLC, the lenders party thereto and Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent.	—	8-K	—	10.6	05/06/14
10.12	Escrow Agreement, dated as of May 8, 2014, by and among Caesars Growth Properties Holdings, LLC, U.S. Bank National Association, as escrow agent and securities intermediary, and Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent.	—	8-K	—	10.1	05/09/14

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
10.13	First Lien Credit Agreement, dated as of May 8, 2014, among Caesars Growth Properties Parent, LLC, the Borrower, the lenders party thereto, Credit Suisse AG, Cayman Islands Branch, as Administrative Agent, and Credit Suisse Securities (USA) LLC, Citigroup Global Markets Inc., Deutsche Bank Securities Inc., UBS Securities LLC, J.P Morgan Securities LLC, Morgan Stanley & Co. LLC, Macquarie Capital (USA) Inc. and Nomura Securities International, Inc., as Co-Lead Arrangers and Bookrunners.	—	8-K	—	10.2	05/09/14
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated May 9, 2014.	X				
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated May 9, 2014	X				
32.1	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated May 9, 2014.	X				
32.2	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated May 9, 2014.	X				
99.1	Consolidated financial information of Caesars Growth Partners, LLC as of March 31, 2014 and December 31, 2013 and for the period from January 1, 2014 through March 31, 2014.	X				
*101	The following financial statements from the Company's Form 10-Q for the quarter ended March 31, 2014, formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statement of Operations and Comprehensive Income, (iii) Consolidated Statement of Stockholders' Equity, (iv) Consolidated Statement of Cash Flows, (v) Notes to Consolidated Financial Statements.	X				

* Furnished herewith.

† Denotes a management contract or compensatory plan or arrangement.

SIGNATURES

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

CAESARS ACQUISITION COMPANY

May 9, 2014

By: / S / TROY J. VANKE
Chief Accounting Officer

I, Mitch Garber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Caesars Acquisition Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2014

By: _____ / S / MITCH GARBER
Mitch Garber
President and Chief Executive Officer

I, Craig Abrahams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Caesars Acquisition Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2014

By: _____ / S / Craig Abrahams
Craig Abrahams
Chief Financial Officer

Certification of Principal Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Caesars Acquisition Company (the “Company”), hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 31, 2014 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 9, 2014

/ S / Mitch Garber

Mitch Garber

President and Chief Executive Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Certification of Principal Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Caesars Acquisition Company (the “Company”), hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 31, 2014 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 9, 2014

/ S / Craig Abrahams

Craig Abrahams
Chief Financial Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

**FINANCIAL INFORMATION OF CAESARS GROWTH PARTNERS, LLC
A SIGNIFICANT EQUITY METHOD INVESTEE OF CAESARS ACQUISITION COMPANY
EXPLANATORY NOTE**

Unconsolidated Significant Subsidiary

Upon the completion of the Transactions described in our Annual Report on Form 10-K for the year ended December 31, 2013, Caesars Acquisition Company's (the "Company," "CAC," "we," "our" and "us") sole material asset is its interest in Caesars Growth Partners, LLC ("CGP LLC"), which is accounted for using the equity method. As our investment in CGP LLC is considered to be significant for the period subsequent to the Transactions, CGP LLC's annual financial statements are required to be included as an exhibit to each CAC Annual Report on Form 10-K in accordance with SEC Rule 3-09 of Regulation S-X. Given the significance of this investment to the financial position and results of operations of CAC, we have elected to include selected financial information of CGP LLC in this Quarterly Report on Form 10-Q.

For a discussion of the results of operations for CGP LLC for the first quarter 2014 in comparison to the first quarter 2013 results of operations derived from the assets and entities that were acquired by or contributed to CGP LLC in connection with the Transactions (referred to in the aggregate as Predecessor Growth Partners), please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations for Caesars Acquisition Company in Item 2 of its quarterly report on Form 10-Q for the quarter ended March 31, 2014.

CAESARS GROWTH PARTNERS, LLC
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CAESARS GROWTH PARTNERS, LLC
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)
(In millions)

	March 31, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	\$ 972.6	\$ 976.9
Short-term investments	—	15.0
Receivables, net of allowance for doubtful accounts of \$3.9 and \$3.9, respectively	65.2	53.7
Interest receivable from related party	25.3	8.9
Deferred tax assets	3.3	7.0
Restricted cash	22.8	28.8
Prepayments and other current assets	12.0	13.2
Total current assets	1,101.2	1,103.5
Investment in notes from related party	973.2	931.6
Land, property and equipment, net	596.8	516.0
Goodwill	126.6	112.8
Intangible assets other than goodwill, net	213.1	168.2
Restricted cash	203.6	231.6
Deferred tax assets	9.5	—
Deferred charges and other	115.1	114.8
Total assets	\$ 3,339.1	\$ 3,178.5
Liabilities and Equity		
Current liabilities		
Accounts payable	\$ 92.7	\$ 54.8
Payables to related party	47.1	49.4
Accrued expenses	169.0	126.4
Foreign tax payable	0.9	1.8
Deferred tax liabilities	0.4	—
Current portion of long-term debt	0.1	0.1
Total current liabilities	310.2	232.5
Long-term debt	677.6	680.2
Long-term debt to related party	39.8	39.8
Convertible notes issued to related party	47.7	47.7
Deferred tax liabilities	10.1	3.8
Contingently issuable non-voting membership units	382.6	306.5
Deferred credits and other	80.2	69.6
Total liabilities	1,548.2	1,380.1
Commitments and contingencies		
Redeemable non-controlling interests	3.3	3.9
Equity		
Additional paid-in capital	751.2	749.6
Retained earnings	746.8	766.5
Accumulated other comprehensive income	242.8	233.6
Total equity attributable to Caesars Growth Partners, LLC	1,740.8	1,749.7
Non-controlling interests	46.8	44.8
Total equity	1,787.6	1,794.5

Total liabilities and equity	\$ 3,339.1	\$ 3,178.5
	<hr/>	<hr/>

CAESARS GROWTH PARTNERS, LLC
CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS
(UNAUDITED)
(In millions)

Quarter Ended
March 31, 2014

	\$	115.7
Revenues		
<i>Interactive Entertainment</i>		
Social and mobile games	\$	115.7
WSOP and online real money gaming		8.5
		<u>124.2</u>
<i>Casino Properties and Developments</i>		
Casino	46.9	
Food and beverage	24.9	
Rooms	27.8	
Other	16.2	
Less: casino promotional allowances	(13.7)	
		<u>102.1</u>
Net revenues	226.3	
Operating expenses		
<i>Interactive Entertainment - Direct</i>		
Platform fees	35.3	
<i>Casino Properties and Developments - Direct</i>		
Casino	20.9	
Food and beverage	12.0	
Rooms	7.7	
Property, general, administrative and other	121.8	
Depreciation and amortization	13.6	
Change in fair value of contingently issuable non-voting membership units	76.1	
Change in fair value of contingent consideration	0.7	
Total operating expenses	<u>288.1</u>	
Loss from operations	(61.8)	
Interest expense, net of interest capitalized	(11.9)	
Interest income	1.0	
Interest income - related party	48.8	
Loss on extinguishment of debt	(0.6)	
Loss before provision for income taxes	(24.5)	
Provision for income taxes	(1.7)	
Net loss	(26.2)	
Less: net loss attributable to non-controlling interests	6.5	
Net loss attributable to Caesars Growth Partners, LLC	<u>\$ (19.7)</u>	

CAESARS GROWTH PARTNERS, LLC
CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE LOSS
(UNAUDITED)
(In millions)

	Quarter Ended March 31, 2014
Net loss	\$ (26.2)
Other comprehensive income, net of income taxes:	
Unrealized gain on investments in notes from related party	9.2
Total other comprehensive income	9.2
Comprehensive loss	(17.0)
Less: net loss attributable to non-controlling interests	6.5
Comprehensive loss attributable to Caesars Growth Partners, LLC	\$ (10.5)

CASESARS GROWTH PARTNERS, LLC
CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(In millions)

	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Non-controlling Interests	Total Equity
Balance at December 31, 2013, as previously reported	\$ 734.0	\$ 782.1	\$ 233.6	\$ 44.8	\$ 1,794.5
Prior-period adjustment ⁽¹⁾	15.6	(15.6)	—	—	—
Balance at December 31, 2013, as restated	749.6	766.5	233.6	44.8	1,794.5
Net loss	—	(19.7)	—	(5.9)	(25.6)
Issuance of Caesars Interactive common stock	13.7	—	—	1.5	15.2
Purchase of Caesars Interactive common stock	(17.2)	—	—	(1.9)	(19.1)
Stock-based compensation	1.9	—	—	—	1.9
Sale of partial interest in Baltimore joint venture	3.4	—	—	8.3	11.7
Unrealized gain on investments in notes from related party, net of tax	—	—	9.2	—	9.2
Distributions to parent	(0.2)	—	—	—	(0.2)
Balance at March 31, 2014	<u>\$ 751.2</u>	<u>\$ 746.8</u>	<u>\$ 242.8</u>	<u>\$ 46.8</u>	<u>\$ 1,787.6</u>

⁽¹⁾ Represents a distribution from CGP LLC to its parent entities recorded against Additional paid-in capital during the year ended December 31, 2013. Because the amount did not exceed cumulative earnings, the distribution should have been recorded as a distribution from Retained earnings rather than from Additional paid-in capital.

CAESARS GROWTH PARTNERS, LLC
CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
(UNAUDITED)
(In millions)

	Quarter Ended March 31, 2014
Cash flows from operating activities	
Net loss	\$ (26.2)
Adjustments to reconcile net loss to cash flows provided by operating activities	13.6
Depreciation and amortization	6.5
Amortization of debt discount	0.6
Change in fair value of contingently issuable non-voting membership units	76.1
Change in fair value of contingent consideration	0.7
Accretion of discount on investments in notes from related party	(32.4)
Stock-based compensation expense	18.3
Net change in deferred income taxes	(9.2)
Net change in long-term accounts	3.6
Net change in working capital accounts	(38.0)
Cash flows provided by operating activities	13.6
Cash flows from investing activities	
Land, buildings and equipment additions, net of change in construction payables	(29.6)
Payments to acquire business, net of cash acquired	(22.5)
Purchase of equity method investment	(1.3)
Sale of short-term investments	15.0
Increase in restricted cash	(74.3)
Decrease in restricted cash	108.3
Cash flows used in investing activities	(4.4)
Cash flows from financing activities	
Purchase of Caesars Interactive common stock	(19.1)
Sale of partial interest in Baltimore joint venture	11.7
Proceeds from exercise of options	3.8
Repayments under lending agreements	(9.7)
Distributions to parents	(0.2)
Cash flows used in financing activities	(13.5)
Net decrease in cash and cash equivalents	(4.3)
Cash and cash equivalents, beginning of period	976.9
Cash and cash equivalents, end of period	\$ 972.6



Financial Statements and Audit Report

Financing Source Audit Report

Attached are independent audit reports of all financial activities and interests including, but not limited to, the disclosure of all contributions, donations, loans or any other financial transactions to or from a gaming entity or operator in the past five (5) years.

All required documents are attached, including:

- Audit Report: Caesars Entertainment Corporation Prior Interests
- Audit Report: Caesars Growth Partners



Audit Report: Caesars Entertainment Corporation Prior Interests

As excerpted from the submission for VIII.A.7.a, CACQ 2013 Q4 10K

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Caesars Entertainment Corporation:

We have audited the accompanying combined financial statements of Caesars Entertainment Corporation's prior interests in Caesars Interactive Entertainment, Inc. and its subsidiaries, Planet Hollywood Resort and Casino, Caesars Baltimore Investment Company, LLC, and senior notes previously issued by a wholly owned subsidiary of Caesars Entertainment Corporation (such interests referred to, in the aggregate, as "Predecessor Growth Partners") as of December 31, 2012, and the related combined statements of operations, comprehensive income/(loss), equity and cash flows for the period from January 1, 2013 through October 21, 2013 (date of Transactions as defined in Note 1 to the accompanying combined financial statements, or "Transactions") and for each of the two years in the period ended December 31, 2012. These combined financial statements are the responsibility of Caesars Entertainment Corporation's management. Our responsibility is to express an opinion on the combined financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Predecessor Growth Partners is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Predecessor Growth Partners' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the financial position of Predecessor Growth Partners as of December 31, 2012, and the results of their operations and their cash flows for the period from January 1, 2013 through October 21, 2013 (date of Transactions), and for each of the two years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the combined financial statements, Caesars Acquisition Company and Caesars Entertainment Corporation consummated the Transactions on October 21, 2013 to form Caesars Growth Partners, LLC. Predecessor Growth Partners is considered the predecessor of Caesars Acquisition Company and represents the assets described above related to the Transactions.

As discussed in Note 18 to the combined financial statements, the combined financial statements include allocations of expenses from Caesars Entertainment Corporation. These allocations may not be reflective of the actual level of costs which would have been incurred had the Predecessor Growth Partners operated as a separate combined entity apart from Caesars Entertainment Corporation.

/s/ Deloitte & Touche LLP

Las Vegas, Nevada
March 28, 2014



Audit Report: Caesars Growth Partners

As excerpted from the submission for VIII.A.7.a, CACQ 2013 Q4 10K

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members of Caesars Growth Partners, LLC:

We have audited the accompanying consolidated balance sheet of Caesars Growth Partners, LLC ("CGP LLC") as of December 31, 2013, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for the period from October 22, 2013 through December 31, 2013. These consolidated financial statements are the responsibility of CGP LLC's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. CGP LLC is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CGP LLC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of CGP LLC as of December 31, 2013, and the results of their operations and their cash flows for the period from October 22, 2013 through December 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, through transactions that occurred on October 21, 2013, CGP LLC became a joint venture between Caesars Acquisition Company and Caesars Entertainment Corporation. Such transactions have been accounted for as a reorganization under common control.

/s/ Deloitte & Touche LLP

Las Vegas, Nevada
March 28, 2014



Documentation of Financial Suitability and Responsibility

Financial Reports Filed with Government Agencies and Check Records/Ledgers

Please reference the audited Caesars Growth Partners financials in Exhibit VIII.A.7. and the highly confident letters in Exhibit VIII.A.8.b.



Documentation of Financial Suitability and Responsibility

Financial References

See attached financial references from Nomura, UBS, Deutsche Bank, Citi and Credit Suisse attesting to Caesars Growth Partners' creditworthiness.

Attachments

VIII.A.8.b_A1 Highly Confident Letter Nomura

VIII.A.8.b_A2 Highly Confident Letter UBS

VIII.A.8.b_A3 Highly Confident Letter Deutsche Bank

VIII.A.8.b_A4 Highly Confident Letter Citi

VIII.A.8.b_A5 Commitment Letter Credit Suisse

VIII.A.8.b_A6 Information relating to Credit Suisse as a Financing Source

Attachment VIII.A.8.b_A1

REDACTED

REDACTED

REDACTED

Attachment VIII.A.8.b_A2

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

Attachment VIII.A.8.b_A3

REDACTED

REDACTED

REDACTED

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REDACTED

Attachment VIII.A.8.b_A4

REDACTED

REDACTED

Attachment VIII.A.8.b_A5

REDACTED

Attachment VIII.A.8.b_A6

Information relating to Credit Suisse as a Financing Source

Introduction to Credit Suisse

Credit Suisse is a global financial institution with a market capitalization of approximately \$45 billion and over \$13 billion in revenue in 2013. As one of the world's leading financial services providers, Credit Suisse is committed to delivering its combined financial experience and expertise to corporate, institutional and government clients. Founded in 1856, today Credit Suisse has a global reach with operations in over 50 countries and 46,000 employees (approximately 9,000 in the U.S.) from approximately 150 different nations. This broad footprint helps Credit Suisse generate a geographically diverse stream of revenues and net new assets and allows the firm to capture growth opportunities around the world.

Credit Suisse's Investment Banking division provides a broad range of financial products and services, including global securities sales, trading and execution, prime brokerage and capital raising services, corporate advisory and comprehensive investment research, with a focus on businesses that are client driven, flow-based and capital-efficient. Clients include corporations, governments, institutional investors, including pension funds and hedge funds, and private individuals around the world. Credit Suisse delivers its investment banking capabilities via regional and local teams based in major global financial centers. Credit Suisse, through its

Credit Suisse Securities (USA) LLC subsidiary, is registered as a broker-dealer under the Securities Exchange Act of 1934, is registered as a member of the Financial Industry Regulatory Authority ("FINRA") and is registered as an investment adviser under the Investment Advisers Act of 1940.

Credit Suisse's Investment Banking division is one of the leading providers of investment banking services to the gaming industry. Credit Suisse is a longtime trusted advisor and a top provider of financial capital to the industry. In 2014, Credit Suisse has been the number one arranger of all institutional loan and high yield bond financings for U.S. companies operating in the gaming sector. Since 2009, Credit Suisse has consistently been a top five arranger of such financings (total transaction value of \$37.6 billion). Over the past six years Credit Suisse has been the number one arranger of greenfield casino project financings across many different jurisdictions (total transaction value of \$4.9 billion).

Over the last five years, Credit Suisse advised 26 gaming-sector clients that have gaming operations across 22 gaming jurisdictions in the United States. During that time, CS was the lead investment bank on 36 gaming transactions (representing ~18% of total gaming-industry financing transactions) and also provided financing and/or advisory services in 75 additional gaming transactions (representing ~38% of total gaming-industry transactions). The types of transactions include syndicated institutional loans, high yield bonds, mergers & acquisitions, public equity offerings and private equity placements. During this time period, the aggregate transaction value on Credit Suisse's gaming-sector deals was \$42.2 billion, and Credit Suisse was actively involved in many landmark gaming transactions, including the following:

1. Boyd Gaming's \$1.5 billion acquisition of Peninsula Gaming (CS was the M&A advisor to Peninsula Gaming);
2. Scientific Games' \$1.4 billion acquisition of WMS and related acquisition financing (CS was the M&A advisor to Scientific Games and provided \$2.6 billion of committed financing to fund the acquisition);
3. IPO of Caesars Entertainment (CS was the left lead underwriter for the IPO);

4. Caesars Acquisition Company's subscription rights offering (CS was the left lead underwriter for the rights offering); and
5. Rock Ohio Caesars' \$915 million greenfield project and tack-on financing for Horseshoe Cincinnati, Horseshoe Cleveland and Thistledown (CS was the left lead arranger for both the institutional loan and high yield bond financings).

See complete financial statements, including details on Credit Suisse's capitalization on pages 205 through 354 of the Credit Suisse's 2013 Annual Report. See the following link to the annual report: <http://www.sec.gov/Archives/edgar/data/1159510/000137036814000030/0001370368-14-000030-index.htm>

See links below to Credit Suisse's five most recent annual reports, which include audited financials. https://www.credit-suisse.com/publications/annualreporting/en/annual_report.jsp

See the attached credit rating agencies' reports on Credit Suisse for the past three (3) years.

Credit Suisse's corporate credit rating compares favorably to other global financial institutions. See the chart below.

	Moody's	Standard & Poor's	Fitch
Credit Suisse	A1	A	A
Bank of America Merrill Lynch	Baa2	A-	A
Barclays Capital	A3	A-	A
Citigroup	Baa2	A-	A
Deutsche Bank	A2	A	A+
Goldman Sachs	Baa1	A	A
HSBC	Aa3	AA-	AA-
JPMorgan Chase	A3	A	A+
Morgan Stanley	Baa2	A-	A
UBS	A2	A	A

See the links below to Credit Suisse's most recent SEC filings.

<http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001053092&owner=exclude&count=40>



Documentation of Financial Suitability and Responsibility

Securities Analysts' and Credit Rating Agencies Reports

Attached are analyst reports for CAC/CGP (Attachment VIII. A.8.c_A1).

Attachment VIII.A.8.c_A1



Caesars Acquisition Corporation (CACQ)

Equity Research

December 5, 2013

Adam Krejcek, 714-769-9156

akrejcik@eilersresearch.com

CACQ: Initiating Coverage

Rating: Neutral

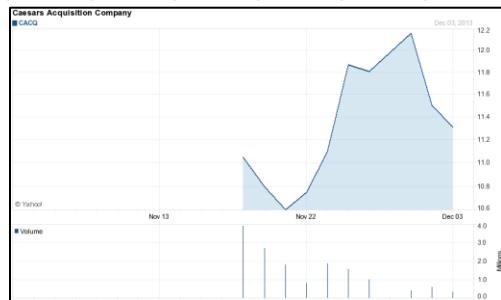
PT: \$12.00

Stock Data					
Stock Price		\$11.03			
52 Week Low - High		\$10.34-\$12.42			
Shares Out (mil)		135.8			
Market Cap (mil)		\$1,498			
3-Mo. Avg. Vol		1,517,230			
Cash (mil)		\$1,036.3			
Debt (mil)		\$777.9			

Revenue (\$ millions)					
FY Oct	2012A	2013	2014		
1Q	\$119.8	\$151.6	NA	\$183.6E	NA
2Q	\$127.3	\$156.6	NA	\$190.5E	NA
3Q	\$130.7	\$162.4	NA	\$236.8E	NA
4Q	\$133.6	\$169.4E	NA	\$284.2E	NA
Year	\$511.4	\$640.0E	NA	\$895.1E	NA

EPS (\$)					
FY Oct	2012A	2013	2014		
1Q	\$0.23	\$0.03	NA	\$0.14E	NA
2Q	\$0.19	\$0.31	NA	\$0.17E	NA
3Q	\$0.22	\$0.30	NA	\$0.18E	NA
4Q	\$0.29	\$0.23E	NA	\$0.25E	NA
Year	\$0.94	\$0.87E	NA	\$0.75E	NA
P/E	NA	NA	NA	n/a	NA

Note: Cash & debt pro-forma (post rights offering). Bookings & EPS are Non-GAAP & adj. for non-recurring items. Please see attached model for details.



Source: ThomsonOne

We are initiating coverage on Caesars Acquisition Corporation (CACQ) with a Neutral rating and \$12.00 price target.

CACQ is a newly formed entity that owns stake in CGP. Caesars Acquisition Company (CACQ) was formed to purchase the voting rights of Caesars Growth Partners (CGP), a casino asset and entertainment company. CACQ raised gross proceeds of \$1.17 billion (135.8 million shares at \$8.64) through a rights offering that closed on November 18, 2013. Caesars Entertainment (CZR) maintains a 57.6% non-voting, economic interest in CGP, with a call option on the third year anniversary of the deal that allows CZR to purchase the 42.4% economic interest it does not own. The minimum repurchase price is \$11.66/share (10.5% compounded annual return over 3-yr), while the upside in CACQ is capped at \$16.88/share (25% compounded annual return over 3-yr), with a forced liquidation after 8.5 years.

CGP holds various assets including ownership in CIE. CGP's primary assets include: 100% ownership in Planet Hollywood, 52% ownership in Horseshoe Baltimore Casino (will be reduced to 41% stake), a debt portfolio (currently valued at \$898 million), and 76% pro-forma interest in Caesars Interactive (CIE). In our opinion, most of the value and potential upside lies in CIE, which currently generates the majority of its revenues via social casino games on Facebook & mobile. CIE is also well positioned to capture a meaningful portion of the U.S. iGaming market due to the strength of its WSOP brand and Caesars strong regional casino presence, which will be imperative for securing individual state licenses and driving offline-to-online traffic (and vice-versa).

Flexible capital structure. One of the primary attributes of owning CACQ versus the parent company (CZR) is a much more flexible capital structure. Following the rights offering we estimate CGP will have a net cash position of \$258 million and CEOC notes valued at \$898 million. Additionally, we estimate CGP will generate FCF of \$125M and \$180M in CY14 and CY15, respectively, resulting in net cash balance of \$564M by 4Q15.

Shares fully valued. While we are bullish on the company's social & real-money online gaming initiatives we believe shares of CACQ are fairly valued at current levels. Our sum of the parts valuation analysis suggests a fair value of ~\$12 per share. Downside risks include: increased competition in the social casino gaming sector, iGaming regulation, uncertainty & execution risks, and a highly levered parent company that could create litigation problems in the event of any future restructuring.

Disclaimer & Terms & Conditions of Use:

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Investment Summary

Caesars Acquisition Corporation (CACQ) offers investors an opportunity to participate in a high-growth gaming company, with an attractive capital structure and significant exposure to social & real-money online gaming. As we suggested in our initial report on September 10, 2013 "CAC: *Investor Guide to Caesars Rights Offering*", those able to participate in the rights offering at \$8.64/share would likely be rewarded as the implied value of Caesars Interactive was decidedly low relative to the potential upside opportunity that exists for this business division. With shares now trading at the mid-point of our proposed valuation range, we believe further upside in CACQ will be dependent upon the Company executing and meeting the high-end of our growth projections. Given the uncertainty around future CIE revenue and profitability, especially as it relates to real-money online gaming, we believe it's prudent to wait for a better entry point. In the table below we provide a sum of the parts valuation analysis for the primary assets that CGP will own and then adjust for CACQ's ownership interest (42.4%) to derive a projected fair value for CACQ equity shareholders.

CACQ Equity Valuation (\$ in M)	Low-end	Mid-Point	High-end
<u>Casino Properties & Assets</u>			
Planet Hollywood (100% ownership)	\$640	\$720	\$800
Baltimore Maryland (adj. for 41% ownership)	\$267	\$379	\$492
Total Enterprise Value	\$907	\$1,099	\$1,292
<u>CIE</u>			
Social & Mobile Games	\$801	\$1,064	\$1,327
Real-Money Online Gaming & WSOP	\$567	\$907	\$1,246
Total	\$1,368	\$1,971	\$2,573
CIE pro-forma (76% ownership)	\$1,040	\$1,498	\$1,955
<u>Balance Sheet items</u>			
Cash + ST Investments	\$208	\$208	\$208
Proceeds from rights offering	\$1,173	\$1,173	\$1,173
Less debt (Planet Hollywood & CIE)	(\$557)	(\$557)	(\$557)
Less debt (41% portion of Horseshoe Baltimore)	(\$139)	(\$139)	(\$139)
Less cash payment to CZR	(\$360)	(\$360)	(\$360)
CGP Net Cash	\$325	\$325	\$325
CEO Notes Receivable	\$897	\$897	\$897
Total Equity Value of CGP	\$3,169	\$3,819	\$4,470
Adjust for 42.4% ownership in CGP	\$1,344	\$1,619	\$1,895
s/o outstanding	135.8	135.8	135.8
Per share value to CACQ	\$9.89	\$11.93	\$13.96

Source: Eilers Research, LLC

Casino Properties & Assets:

- Planet Hollywood, Las Vegas (100% ownership) generated TTM revenues of \$326.4 million (flat y/y) and adjusted EBITDA of \$78.5 million (24% margin). We apply an 8-10x EBITDA multiple to our CY13 estimate to derive our valuation range.
- Baltimore Horseshoe, Maryland is expected to open in 3Q14. CGP owns a 52% stake that will be reduced to 41% as it plans to sell an 18% stake to CVPR. Once this property matures we believe it can generate \$394-\$471 million in revenues and EBITDA of \$79-\$118 million. We apply an 8-10x EBITDA multiple and then adjust for CGP's expected 41% ownership to derive a fair valuation range for this property.

Caesars Interactive Entertainment:

- Given the inherent differences between social (free-to-play) and real-money online gaming we believe it's prudent to separate these two business divisions and apply separate valuation multiples.
- Social & mobile games: CIE generated TTM revenue of \$262.8 million (+54% y/y) and adjusted EBITDA of \$89.7 million (34% margin). We apply an 8-12x EBITDA multiple and then adjust for CGP's 76% pro-forma ownership in CIE to derive a fair value for this business division.
- Real-money online gaming & WSOP: We use CY18 revenue and EBITDA estimates, as we believe it will take at least 5-years before the regulated market for iGaming in the U.S. becomes meaningful and then discount back 4-years for a NPV. We apply a 14-18x EBITDA multiple then adjust for CGP's 76% pro-forma ownership in CIE to derive a fair value for this business division.

History

In order to better understand why Caesars Acquisition Corporation was formed and the complexity of the rights offering, we believe it's important to have a basic understanding of Caesars Entertainment's operating history.

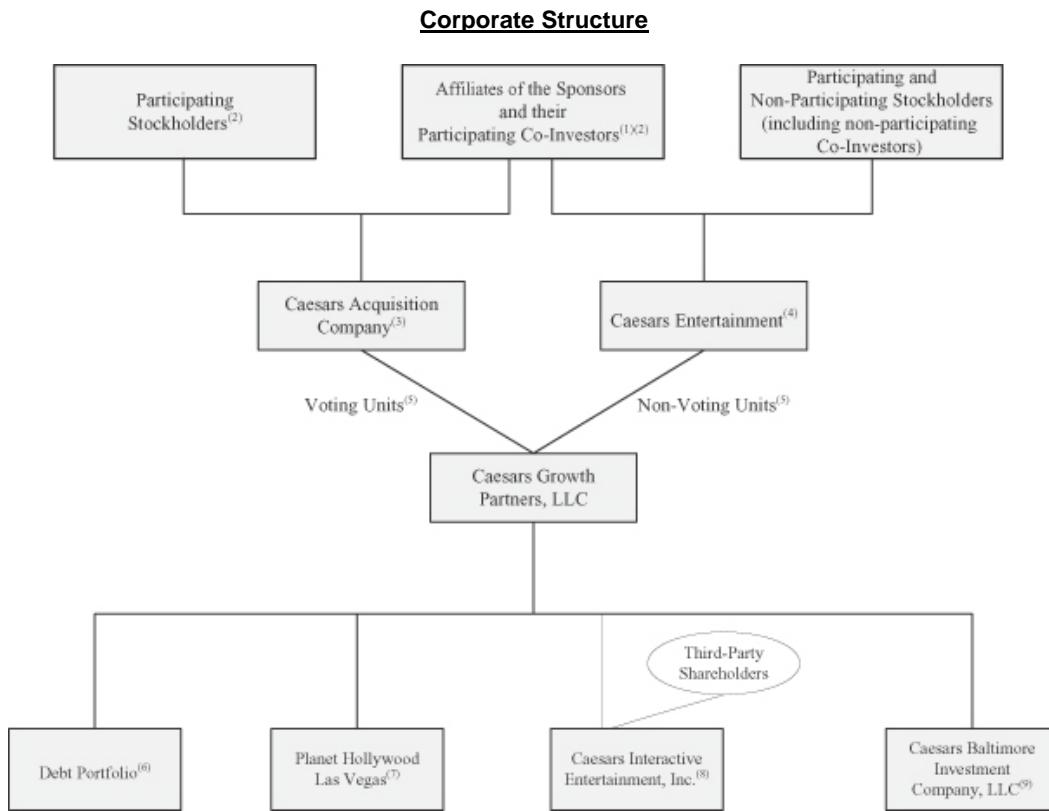
Caesars Entertainment is currently controlled by Hamlet Holdings (64% ownership), which is made up of Apollo and TPG, who took the Company private in 2007 through an ill-conceived LBO. In early 2012, Caesars was taken public at \$9 per share and currently trades on the NASDAQ under the ticker CZR. While shares of CZR have more than doubled since its IPO, Caesars Entertainment has been the subject of significant controversy given its leverage ratios that many believe are unsustainable; \$20.9 billion in LT debt and bonds that trade at double-digit implied yields. In order to create a more flexible & attractive capital structure for equity investors (and potentially circumvent bondholders from controlling valuable assets in the event of a bankruptcy), Caesars Acquisition Company (CACQ) was formed to purchase the voting rights of Caesars Growth Partners (CGP). Through a rights offering that closed on November 18, 2013, CACQ successfully raised \$1,173 million in gross proceeds (fully subscribed) and now owns a 42.4% economic interest in CGP and all the voting rights.

Rights Offering & Organizational Structure

Key Issues related to the rights offering & current organizational structure:

- Hamlet Holdings exercised its subscription rights in full for \$457.8 million and owns 51.8% of CACQ's Class A common stock.
- Upon completion of the deal, CGP used \$360 million of proceeds received from CACQ to purchase various assets from CZR including: 1) Planet Hollywood, 2) Caesars Entertainment's joint venture interests in the Horseshoe Baltimore and 3) a 50% interest in the management fee revenues for both of those properties. Of the \$360 million proceeds used for the purchase, \$280 million is attributable to the purchase of Planet Hollywood and the 50% interest in the management fee revenue for Planet Hollywood and the remaining \$80 million is attributable to the purchase of Caesars Entertainment's joint venture interests in the Horseshoe Baltimore and the 50% interest in the management fee revenue. Additionally, CACQ assumed \$513.2 million in debt related to Planet Hollywood implying a total transaction value of \$873.2 million for these combined assets.
- CGP pro-forma has 1) 100% ownership in PH, Las Vegas and 52% ownership in HB, Maryland (will be reduced to 41% ownership in the future), 2) 76% ownership in CIE (fully diluted basis) 3) CEOC notes currently worth \$897 million, and 4) estimated net cash position of \$273 million.
- CZR also has a call option that commences on the third year anniversary following the close of the deal that allows CZR to purchase the 42.4% economic interest it does not own for "a purchase price based on an independent appraisal, subject to 1) a minimum purchase price equal to the capital contribution in respect of such units plus a 10.5% per annum return on such capital contribution or 2) a maximum purchase price equal to the capital contribution in respect of such units plus a 25% per annum return on such capital contribution, in either case, taking into account prior distributions (other than tax distributions) with respect to such units."¹ This call option (amended from the original S-1 filing) essentially puts a cap on the maximum return on shares of CGP at 95% (i.e. 25% gain compounded annually for 3-years). In order to exercise this call option, CZR needs to meet certain conditions including: being publicly traded on a major exchange, minimum liquidity of \$1 billion, Net Debt/EBITDA ratio of 9:1 or lower, and the call right cannot represent more than 50% of total CZR common stock issued and outstanding.

¹ CAC S-1 filing



Source: S-1 filing

Notes:

- (1) Approximately 66.0% of CACQ's outstanding common stock is held by Hamlet Holdings
- (2) Approximately 34.0% of CACQ's outstanding common stock is held by public investors.
- (3) CACQ owns roughly 42.4% of the total outstanding equity units in CGP LLC
- (4) Caesars Entertainment collectively owns 100% of CGP LLC's outstanding non-voting units, representing 57.6% of the economic interests in Growth Partners.
- (5) All holders of CGP LLC's equity units are entitled to share equally in distributions, subject to the distribution waterfall in connection with a liquidation, partial liquidation, or sale of material assets and the call right held by Caesars Entertainment
- (6) Consists of approximately \$1.1 billion in aggregate principal amount of the CEOC Notes; valued at \$897.3 million as of 3Q13.
- (7) Consists of the assets and liabilities of PHW Las Vegas, LLC, including Planet Hollywood, and a 50% interest in the management fee revenue received. As of September 30, 2013, Planet Hollywood had a \$513.2 million principal balance outstanding under the PHW Loan.
- (8) Consists of 90.2% of the outstanding shares of CIE's common stock, which would be reduced to approximately 84.5% of the outstanding shares of CIE's common stock upon conversion by Rock Gaming of the convertible promissory note issued by CIE, in each case not giving effect to any options or warrants that are exercisable (76% ownership on a fully-diluted basis). As of September 30, 2013, CIE had \$39.8 million of loans outstanding under its revolving credit facility with Caesars Entertainment.
- (9) Owns approximately 58% equity interest in an entity that holds approximately 88% of the equity interests in CBAC Gaming, LLC, equating to an effective 52% ownership of CBAC Gaming, LLC. Following the CVPR Sale, Growth Partners' indirect ownership in CBAC Gaming, LLC will be approximately 41%. Also owns a 50% interest in the management fee revenue to be received by a subsidiary of CEOC in connection with the management of Horseshoe Baltimore. On July 2, 2013, CBAC Gaming obtained the Baltimore Credit Facility that provides up to \$310 million of project financing for the development of Horseshoe Baltimore and the Baltimore FF&E Facility that provides up to \$30 million of equipment financing. As of July 2, 2013, \$225.0 million of term B loans were funded and outstanding under the Baltimore Credit Facility.

Caesars Interactive Entertainment

Caesars Growth Partners owns approximately 90.2% of the outstanding shares of CIE's common stock, which may be reduced to approximately 84.5% upon conversion of the \$47.7 million convertible promissory note issued by CIE to Rock Gaming Interactive LLC (founded by Dan Gilbert, owner of Cleveland Cavaliers). After Rock Gaming exercises the convertible promissory note, and after giving effect to other options, restricted stock, and warrants that are exercisable, Caesars Growth Partners will own approximately 76% of CIE on a fully-diluted basis. CIE consists of two distinct business divisions: 1) Social & Mobile Games and 2) Real-Money Online Gaming & WSOP.

Social and Mobile Gaming

To date, the majority of revenue generated by CIE has come from its social and mobile casino themed games operated by its two wholly owned subsidiaries, Playtika and Buffalo Studios. CIE's portfolio of social casino content includes: *Slotomania*, *Caesars Casino & Slots*, *Bingo Blitz*, and *World Series of Poker*. These games are readily available on Facebook, Apple iOS, and Google Playstore and are among the top-grossing social casino games on these platforms. All of these games employ the "freemium" model, whereby the game is free-to-play and revenue is generated through in-game player purchases. For a more detailed overview of the social casino game market please see our latest "Social Casino Tracker – 3Q13" published on October 15th.

Social & Mobile Games Revenue Forecast

Social Gaming calculations	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13	2Q13	3Q13	4Q13E	FY13E	1Q14E	2Q14E	3Q14E	4Q14E	FY14E	FY15E	
Total Social/Mobile Revenue (F2P)	\$53.9	\$41.3	\$49.5	\$51.7	\$50.8	\$193.3	\$66.6	\$70.7	\$74.7	\$78.0	\$290.0	\$81.0	\$84.4	\$88.0	\$91.8	\$345.1	\$400.6	
Web	\$51.1	\$26.9	\$27.3	\$27.6	\$26.4	\$108.2	\$34.0	\$36.3	\$39.0	\$41.5	\$150.8	\$42.7	\$43.5	\$43.8	\$44.1	\$174.2	\$174.2	
Mobile	\$2.8	\$14.4	\$22.2	\$24.1	\$24.4	\$85.1	\$32.6	\$34.4	\$35.7	\$36.4	\$139.1	\$38.3	\$40.9	\$44.1	\$47.6	\$170.9	\$226.4	
Avg DAUs (000s)	1,965	4,238	4,802	4,730	5,139	4,727	5,259	4,952	4,803	4,998	4,727	5,114	5,209	5,284	5,367	4,727	4,727	
Web	1,955	3,707	3,743	3,257	3,278	3,496	3,106	2,816	2,549	2,676	2,787	2,676	2,650	2,597	2,545	2,617	2,360	
% chg q/q	15%	1%	-13%	1%	-5%	-5%	-9%	-9%	-5%	-16%	-25%	-22%	-18%	-20%	0%	-1%	-2%	-2%
% chg y/y	354%	135%	49%	2%	79%	79%	2,153	2,136	2,254	2,322	2,216	2,438	2,560	2,688	2,822	2,627	3,116	
Mobile	40	531	1,059	1,473	1,861	1,231	16%	-1%	6%	3%	5%	5%	5%	5%	5%	-6%	-10%	
% chg q/q	1228%	99%	39%	26%	NA	NA	4553%	2978%	305%	102%	53%	25%	80%	13%	20%	19%	22%	
% chg y/y	NA	NA	NA	NA	NA	NA	305%	102%	53%	25%	80%	13%	20%	19%	22%	19%	19%	
Avg MAUs (000s)	7,185	15,511	18,562	17,200	17,777	17,263	17,695	16,962	16,354	17,018	17,263	17,413	17,737	17,993	18,273	17,263	17,263	
Web	7,118	13,166	14,149	11,773	11,242	12,583	10,488	9,838	8,433	9,113	12,583	9,113.19	9,022	8,842	8,665	12,583	12,583	
Mobile	270	2,345	4,413	5,427	6,535	4,680	7,207	7,124	7,921	7,905	4,680	8,300	8,715	9,151	9,609	4,680	4,680	
Avg MUUs (000s)	NA	14,612	17,263	15,553	15,800	15,807	16,052	14,941	14,615	15,209	15,807	15,562	15,851	16,079	16,330	15,807	15,807	
Avg MUPs (000s)	79	178	212	214	194	200	196	186	200	208	200	213	217	220	223	200	200	
MUU/MAU		94%	93%	90%	89%	92%	91%	88%	89%	89%	92%	89%	89%	89%	89%	92%	92%	
Player stickiness (DAU/MAU)	27%	27%	26%	28%	29%	27%	30%	29%	29%	29%	27%	29%	29%	29%	29%	27%	27%	
Paying player conversion rate (MUP/MUU)	NA	1.22%	1.23%	1.38%	1.23%	1.26%	1.22%	1.24%	1.37%	1.37%	1.26%	1.37%	1.37%	1.37%	1.37%	1.26%	1.26%	
ARPU	\$0.076	\$0.140	\$0.130	\$0.140	\$0.130	\$0.114	\$0.140	\$0.160	\$0.170	\$0.171	\$0.160	\$0.174	\$0.178	\$0.182	\$0.187	\$0.180	\$0.200	
Web	\$0.073	\$0.110	\$0.110	\$0.120	\$0.110	\$0.086	\$0.120	\$0.140	\$0.170	\$0.170	\$0.150	\$0.175	\$0.180	\$0.185	\$0.190	\$0.183	\$0.203	
Mobile	\$0.750	\$0.300	\$0.230	\$0.190	\$0.160	\$0.160	\$0.170	\$0.180	\$0.170	\$0.172	\$0.173	\$0.172	\$0.175	\$0.180	\$0.185	\$0.178	\$0.199	
ARPMUP	\$684.44	\$232.02	\$233.49	\$241.59	\$261.86	\$968.92	\$339.80	\$380.11	\$373.50	\$374.57	\$1,453.41	\$380.36	\$389.06	\$399.83	\$410.60	\$1,729.98	\$2,008.12	
Avg Monthly Revenue Per Paying Player	\$57.04	\$77.34	\$77.83	\$80.53	\$87.29	\$80.74	\$113.27	\$126.70	\$124.50	\$124.86	\$121.12	\$126.79	\$129.69	\$133.28	\$136.87	\$144.16	\$167.34	
% of Total Revenue		95%	65%	55%	53%	52%	56%	51%	51%	52%	53%	56%	53%	52%	50%	48%	56%	
Web		5%	35%	45%	47%	48%	44%	49%	49%	48%	47%	44%	47%	48%	50%	52%	44%	
Q/Q revenue growth		48.0%	19.9%	4.4%	-1.7%		31.1%	6.2%	5.7%	4.4%		3.9%	4.2%	4.2%	4.3%			
Total		7.2%	1.5%	1.1%	-4.3%		28.8%	6.8%	7.4%	6.5%		2.9%	1.8%	0.7%	0.6%			
Web		414.3%	54.2%	8.6%	1.2%		33.6%	5.5%	3.8%	2.1%		5.0%	6.8%	8.0%	7.9%			
Y/Y revenue growth						258.6%	61.3%	42.8%	44.5%	53.5%	50.0%	21.6%	19.4%	17.8%	17.7%	19.0%	16.1%	
Total						111.7%	26.4%	33.0%	41.3%	57.3%	39.4%	25.7%	19.9%	12.4%	6.3%	15.5%	0.0%	
Web						2939.3%	126.4%	55.0%	48.1%	49.3%	63.5%	17.4%	18.8%	23.7%	30.7%	22.8%	32.5%	

Source: company filing, Eilers Research, LLC

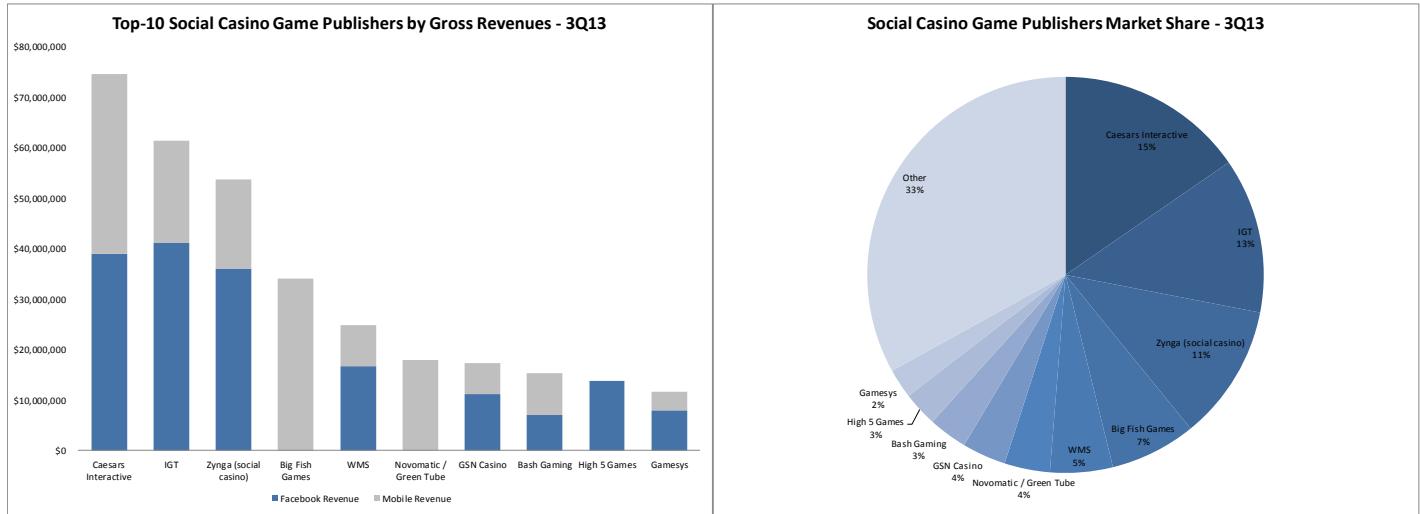
The revenue growth from social and mobile games has been impressive, with total revenues reaching \$193.3 million (+259% y/y) in CY12 and quarterly revenues now implying an annual run-rate of ~\$300 million. Additionally, CIE is generating nearly half of its social casino revenues from mobile & tablets, which we believe is crucial given the secular shift towards mobile gaming. Adjusted EBITDA margins for CIE (includes WSOP licensing fees and RMG in Europe) have trended lower from a peak of 53% in 3Q11 to 38% this past quarter, which we believe is largely due to increased customer acquisition costs in the social & mobile gaming sector. We anticipate EBITDA margins stabilize between 28-32% range by CY15.

EBITDA Trends

	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13	2Q13	3Q13
Revenue									
Social & Mobile Game Revenue (F2P)	\$53.9	\$41.3	\$49.5	\$51.7	\$50.8	\$193.3	\$66.6	\$70.7	74.7
WSOP & RMG	\$12.6	\$3.0	\$3.0	\$2.0	\$6.4	\$14.4	\$2.0	\$3.3	\$4.2
Total Interactive revenue (CIE)	\$66.5	\$43.3	\$51.5	\$53.7	\$59.2	\$207.7	\$68.6	\$74.0	\$78.9
% chg q/q	26%	19%	4%	10%			16%	8%	7%
% chg y/y	2065%	587%	139%	72%		212%	58%	71%	53%
Adjusted EBITDA									
Interactive Entertainment	27.8	16.8	17.5	22.7	19.2	76.2	20.6	20.1	29.8
% margin	42%	39%	34%	42%	32%	37%	30%	27%	38%

Source: company filing, Eilers Research, LLC

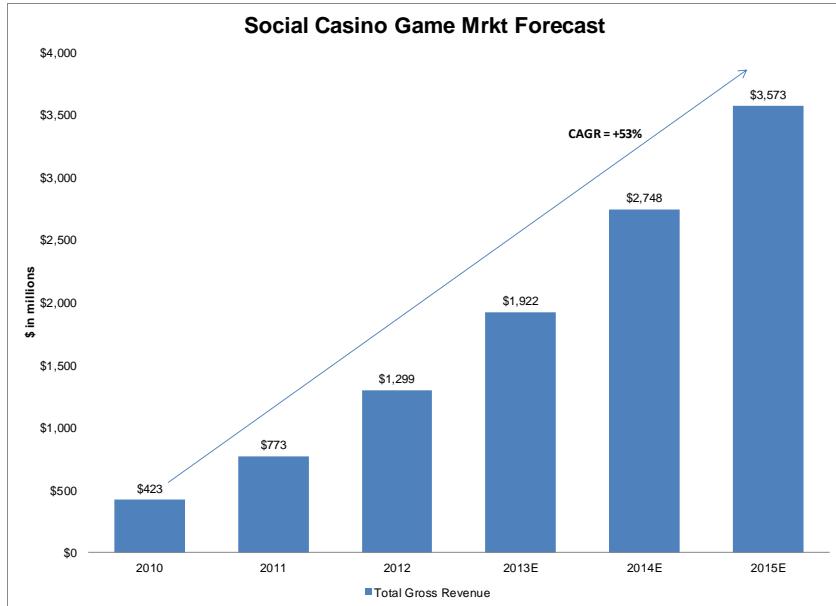
Based on our market research, we believe CIE is the largest social casino game company worldwide. In the charts below we provide an overview of the social casino game market landscape as of 3Q13.



Source: company reports, Eilers Research, LLC

Source: company reports, Eilers Research, LLC

We project the social casino game industry will reach \$3.5 billion by 2015, implying a 5-year CAGR of +53%. We believe growth will largely be driven by mobile / tablets; we note in 3Q13, roughly 40% of Facebook gaming platform revenues was generated by social casino games versus just ~8% on iOS and Google Playstore. We believe a growing install on smartphones / tablets, combined with the increasing popularity of this genre, will help drive the overall industry growth.



Source: company filing, Eilers Research, LLC

We currently project CIE will generate total social casino game revenues of \$401 million in CY15 and \$112 to \$128 million in EBITDA (28-32% margin). We provide a sensitivity analysis below based on projected social casino market share and EBITDA margin.

EBITDA sensitivity analysis for CY15 (\$ in M)

EBITDA Margin (%)	Social Casino Market Share (%)						
	9%	10%	11%	12%	13%	14%	15%
27%	\$80	\$90	\$99	\$109	\$118	\$128	\$137
28%	\$83	\$93	\$103	\$113	\$123	\$132	\$142
29%	\$86	\$96	\$107	\$117	\$127	\$137	\$147
30%	\$89	\$100	\$110	\$121	\$131	\$142	\$152
31%	\$92	\$103	\$114	\$125	\$136	\$146	\$157
32%	\$95	\$106	\$118	\$129	\$140	\$151	\$162
33%	\$98	\$110	\$121	\$133	\$144	\$156	\$167

Source: Eilers Research, LLC

Based on projected growth rates and margin assumptions, we believe the social & mobile game division of CIE has a low-to-high end NPV of \$0.8 to \$1.4 billion; adjusting for CGP's 76% fully-diluted ownership translates to \$571 to \$940 million.

CIE (Social Game Business Valuation 1)

\$ in millions	Low end	high-end
Social & Mobile Game Revenues in CY15	\$401	\$401
Est. EBITDA in CY15	\$112	\$128
margin	28%	32%
Revenue CAGR (2012-2015E)	27%	27%
EBITDA CAGR (2012-2015E)	14%	19%
EBITDA multiple	8x	12x
Valuation	\$897	\$1,538
NPV (discount factor of 12%)	\$801	\$1,374
CGP ownership adjustment (76%)	\$609	\$1,044

Valuation 1: we use our CY15 revenue and EBITDA forecasts, which assumes CIE achieves 11-13% total market share or 3-year EBITDA CAGR of 14-19%. We assume EBITDA margins stabilize between 28% to 32%. We use 8-12x EBITDA multiple range, which we believe is appropriate given revenue growth rates, margin assumptions, mobile exposure, brand equity, and market leadership position.

Source: Eilers Research, LLC

CIE (Social Game Business Valuation 2)

\$ in millions	Low-end	High-end
Social & Mobile Game Revenues (TTM)	\$263	\$263
% growth y/y	89% 	89%
EBITDA (TTM)	\$90	\$90
% margin	34%	34%
P/S multiple	4x	6x
EBITDA multiple	8x	12x
Blended valuation average	\$884	\$1,327
CGP ownership adjustment (76%)	\$672	\$1,008

Valuation 2: we use TTM revenue and EBITDA forecasts, and use 4x-6x P/S multiple and 8x-12x EBITDA multiple, which we believe is appropriate given prior M&A multiples, historical growth rate, and profitability ratios.

Source: Eilers Research, LLC

We note there are not many pure-play comps for CIE's social & mobile casino business and we do not believe Zynga is a good comparison due to 1) declining revenues and margins and 2) Facebook dependency. In the table below, we highlight recent social and mobile game M&A transactions.

Date	Acquirer	Target	Total Price*	EV/Revenue
12/27/2012	Caesars	Buffalo Studios	\$45	.9x
11/20/2012	Aristocrat	Product Madness	\$20	1.0x
8/1/2012	GREE	Funzio	\$210	3.5x
3/21/2012	Zynga	OMGPOP	\$180	NM
1/13/2012	IGT	DoubleDown	\$500	3.9x
12/30/2011	Casears	Playtika	\$103	.5x
7/12/2011	EA	PopCap	\$1,300	9.3x
7/27/2010	Disney	Playdom	\$763	8.7x
10/12/2010	DeNA	ngmoco	\$400	13.4x
11/9/2009	EA	Playfish	\$400	5.3x
Average				5.2x

* Total price includes all associated earn-outs

Source: Eilers Research, LLC

Real-Money Online Gaming & WSOP

Valuing CIE's real-money online game division is far more difficult and includes a greater degree of variability given the uncertainty surrounding the market sizes for NJ and NV; Caesars estimated market shares in these states, potential for new states to adopt iGaming legislation, and margin profile for this business. To date, the majority of revenues from this division have come from licensing fees for its World Series of Poker brand (WSOP) and its partnership with 888 Holdings, for real-money online gaming in Europe.

In the table below, we provide our market sizing estimates for NJ, NV, and Other States, as well as Caesars projected market share in each respective state(s), and estimated EBITDA margin. Our estimates assume a regulated U.S. iGaming market of roughly \$2 billion by CY18, with CIE obtaining 22% market share (gross basis), and achieving a 24% EBITDA margin. As a point of reference, the American Gaming Association (AGA) believes the black market for iGaming in the U.S. is ~\$2.6 billion annually, and we note the regulated markets in Europe generated total GGR of ~\$8.5 billion in CY12, of which roughly half was generated from Sports Betting, which we do not envision being permitted in the U.S. Finally, we note 888 Holdings EBITDA margins have ranged from 16-18% over past 2-years, while bwin.party has enjoyed 20-24% EBITDA margins between CY10-CY12.

\$ in millions	2013E	2014E	2015E	2016E	2017E	2018E
New Jersey Market Size	\$9	\$195	\$285	\$385	\$435	\$445
Caesars market share	20%	30%	35%	37%	37%	37%
Total Gross Revenue	\$2	\$59	\$100	\$142	\$161	\$165
y/y growth	NM	71%	43%	13%	2%	
Nevada Market Size	\$12	\$25	\$35	\$40	\$42	\$43
Caesars market share	30%	35%	40%	45%	45%	45%
Total Gross Revenue	\$4	\$9	\$14	\$18	\$19	\$19
y/y growth	143%	60%	29%	5%	2%	
Other States (CA, PA, IL, MA, CT)	\$0	\$0	\$250	\$600	\$1,000	\$1,500
Caesars market share	NA	NA	10%	15%	16%	17%
Total Gross Revenue	\$0	\$0	\$25	\$90	\$160	\$255
y/y growth			260%	78%	59%	
Implied size of U.S. iGaming Market	\$21	\$220	\$570	\$1,025	\$1,477	\$1,988
y/y growth	938%	159%	80%	44%	35%	
CIE's implied market share	26%	31%	24%	24%	23%	22%
CIE U.S. iGaming Revenue (gross)	\$5	\$67	\$139	\$250	\$340	\$439
(less) Platform & Content fees (20%)	\$1	\$13	\$28	\$50	\$68	\$88
CIE's Net U.S. iGaming Revenue	\$4	\$54	\$111	\$200	\$272	\$351
Total EBITDA	-\$1	-\$3	\$12	\$32	\$54	\$88
Margin	-20%	-5%	11%	16%	20%	25%
WSOP Licensing fees & European RMG	\$17	\$19	\$22	\$25	\$29	\$33
Total EBITDA	\$2	\$3	\$3	\$4	\$4	\$5
Margin	15%	15%	15%	15%	15%	15%
CIE Consolidated Revenue	\$21	\$73	\$133	\$226	\$301	\$385
y/y growth	NA	248%	82%	70%	33%	28%
CIE Consolidated EBITDA	\$2	\$0	\$15	\$36	\$59	\$93
y/y growth	NA	-90%	9201%	131%	64%	58%

Source: Eilers Research, LLC

Given the expected growth rates over the next 5-years, Caesars first mover advantage, strong brand equity with WSOP, and longer-term market opportunity, we believe CIE's real-money online gaming division warrants a premium multiple. We use CY18 revenue and EBITDA estimates, as we believe it will take at least 5-years before the regulated market for iGaming in the U.S. becomes meaningful and then discount back 4-years for a NPV.

CIE Valuation (RMG & WSOP)	CY18	
\$ in millions	Low-end	High-end
Real-Money Gaming & WSOP	\$308	\$461
EBITDA	\$62	\$115
margin	20%	25%
Revenue CAGR (2013-2018E)	71%	86%
EBITDA CAGR (2013-2018E)	107%	135%
P/S Multiple	3x	4x
Valuation	\$923	\$1,846
EBITDA multiple	14x	18x
Valuation	\$861	\$2,076
Blended valuation average	\$892	\$1,961
NPV (discount factor of 13%)	\$547	\$1,203
CGP Ownership adjustment (76%)	\$416	\$914

Source: Eilers Research, LLC

Note: European iGaming operators are currently trading at fwd EV/EBITDA multiples in 5-10x range. We believe CIE's iGaming division deserves a premium multiple given the U.S. growth opportunity versus fairly mature markets in Europe.

Casino Property and Development

Caesars Growth Partners portfolio of casino-related assets includes Planet Hollywood, Las Vegas and an investment in a casino project under development in Baltimore, Maryland, the Horseshoe Baltimore. In addition, CGP is entitled to a 50% interest in the management fee revenues received from Planet Hollywood and Horseshoe Baltimore.

Planet Hollywood

Planet Hollywood was originally constructed in 2001 and renovated in 2007, and is located on the Las Vegas Strip. Planet Hollywood was acquired by Caesars Entertainment in February 2010 and includes a 2,500-room hotel, a 64,500 square foot casino that features 1,100 slot machines, and 79 table games. Additionally, the casino has 9 high-limit table games as well as 60 high-denomination slot machines and various amenities including: ten food and beverage outlets, gift and merchandise shops, 80,000 square feet of convention, trade show and meeting facilities, and a 7,000-seat theater. Planet Hollywood targets a younger demographic segment that values the offerings of the non-gaming entertainment which complements the casino's gaming activities.

Planet Hollywood, NV	CY11	CY12	CY13E	CY14E	CY15E	CY16E
Casino	\$167	\$171	\$188	\$196	\$202	\$206
Food & beverage	\$68	\$70	\$77	\$80	\$82	\$84
Rooms	\$94	\$92	\$101	\$105	\$108	\$110
Other	\$25	\$21	\$23	\$24	\$25	\$25
Less: casino promotional allowances	(\$49)	(\$50)	(\$55)	(\$57)	(\$59)	(\$60)
Total casino property revenue	\$306	\$304	\$334	\$347	\$358	\$365
Y/Y Growth	-1%	10%	4%	3%	2%	
Adjusted EBITDA	\$75	\$69	\$80	\$85	\$89	\$91
margin	24%	23%	24%	25%	25%	25%
y/y growth	-7%	16%	6%	5%	2%	

Source: S-1 filing, Eilers Research, LLC

We believe Planet Hollywood's implied valuation of \$793M (\$280M in cash + \$513M in assumed debt) is reasonable and translates into 10x TTM EBITDA. We do not see any meaningful upside for this asset.

Horseshoe Baltimore

Caesars Growth Partners owns an indirect interest in CBAC Gaming, a joint venture with an affiliate of Rock Gaming LLC and other local investors that holds a license to operate a casino in Baltimore. Caesars Entertainment is leading the development of the casino and will serve as the manager of Horseshoe Baltimore. Following the completion of the Rights Offering, CGP will receive a 50% interest in the management fee revenue from Horseshoe Baltimore. The property is anticipated to be an integrated casino with an 110,000 square-foot floor holding approximately 2,500 video lottery terminals, 100 table games, and 30 poker tables. Additionally, it will contain a 10,000 square foot meeting facility, seven restaurants and/or bars, and a Diamond Lounge. The project is expected to open in 3Q14 at a cost of ~\$400 million. The Maryland Joint Venture is funded with approximately \$107.5 million of total equity and approximately \$340 million in debt. CGP share of the equity contribution and ownership will be approximately 52%. CGP, together with another member of the Maryland Joint Venture, have an agreement in principle to sell approximately 18% of the equity interest in the Maryland Joint Venture to CVPR Gaming Holdings, LLC, an existing third member of the Maryland Joint Venture. Following the closing of the CVPR Sale, CGP equity contribution and indirect ownership in the Maryland Joint Venture will be approximately 41%.

To date, Caesars Entertainment has contributed \$55.7 million of cash equity in the Maryland Joint Venture and may be required to contribute an additional \$22.3 million of capital contributions. Caesars believes the Maryland Joint Venture represents a unique opportunity to enter a major market with favorable demographics as the casino is expected to draw customers from Washington D.C. and portions of Maryland, Virginia and West Virginia.

We estimate the fair value of CGP's stake in Horseshoe Baltimore at \$155-\$412 million, which is based on 8x to 10x EBITDA discounted back to present value. The table below provides estimated low-end to high-end revenue and EBITDA assumptions for the Horseshoe Baltimore. We believe Maryland Live, which has over 4,300 VLT's and is on pace to generate gaming revenues of \$630-\$640 million this year is the closest comp for the Horseshoe Baltimore.

Horseshoe Baltimore (\$ in M)	low-end	high-end
VLTs	\$256	\$292
Tables	\$142	\$190
F&B and Other	\$40	\$72
Less promotional allowances	(\$44)	(\$83)
Total Revenue	\$394	\$471
Adjusted EBITDA margin	\$79 20%	\$118 25%
EBITDA multiple	8x	10x
EV	\$630	\$1,177
less debt	(\$340)	(\$340)
Total Equity Value	\$290	\$837
CGP Ownership in JV (41%)	\$119	\$343
NPV (discounted back 1-yr)	\$106	\$307
Mgt fee NPV (total value over 5-years)	\$20	\$23
Total Equity value to CGP	\$126	\$330

Key assumptions: we assume VLT win per day range of \$280-\$320 (Maryland Live at \$290/day), table win per day range of \$3-\$4k (Maryland Live at \$4.6k), FB & Other at 10-15% of non-gaming rev's, and promotional allowances of 10% to 15% of gaming win. We est. 20% to 25% EBITDA margin range, which takes into account competitive landscape and state tax rate.

Source: Eilers Research, LLC

CEO Notes

CGP owns approximately \$1.1 billion of aggregate principal amount of senior notes previously issued by CEOC. The Notes have fixed interest rates ranging from 5.63% to 10.75% and maturities ranging from 2015 to 2018.

	Interest Rate	Face Value	Fair Value (9/30/13)	Interest Income
June 1st, 2015	5.63%	\$427.3	\$387.8	\$24.1
June 1st, 2016	6.50%	\$324.5	\$244.2	\$21.1
October 1st, 2017	5.75%	\$390.9	\$261.9	\$22.5
February 1st, 2018	10.75%	\$3.7	\$3.4	\$0.4
Total	5.94%	\$1,146.4	\$897.3	\$68.0

Source: S-1 filing, Eilers Research, LLC

Investment Risks

Downside risks to our estimates and price-target include:

- **Regulatory risk.** CGP faces regulatory risk in terms of obtaining and maintaining requisite gaming licenses, especially as it relates to real-money online gaming. Notably, regulated iGaming in the U.S. is a new phenomenon and one that has just been approved in certain jurisdictions. Regulations and laws could change in the future and any changes could have a material impact on CIE's operations. CIE will also be required to obtain necessary iGaming licenses in any new states it plans to enter and there can be no assurance that CIE will meet all of the necessary requirements. Additionally, social casino gaming is currently unregulated, any restrictions or regulations for this industry could have a negative impact on CIE's operations
- **Increased competition.** CGP faces intense competition for each business division it operates including: land-based casinos, social & mobile games, and real-money online gaming. For its land based casino properties, Planet Hollywood-Las Vegas primarily competes against other destination strip resorts, and Horseshoe Baltimore will face stiff competition from Maryland Live. For social casino & mobile gaming, which are considered to have relatively low barriers to entry, CIE faces competition from IGT, Zynga, Big Fish Games, SGMS/WMS and High 5 Games, among others. For real-money online gaming CIE faces competition from various land-based casino operators, lottery providers and overseas online gaming companies. Generally speaking, increased competition will likely result in lower than expected growth rates and margin pressure.
- **Real-money online gaming.** In addition to obtaining necessary licenses the other major risks for iGaming include: payment processing (e.g. NJ and NV have both faced problems with players being able to successfully deposit funds into their online accounts due to the reluctance of major financial institutions to recognize the legality of iGaming), geolocation problems (e.g. NV and NJ both rely on geolocation technology to ensure that only players within their respective state can fully access iGaming sites, if this technology fails to meet adequate standards or blocks certain residents it would have an adverse impact on iGaming operations), market sizing & market share (our iGaming market forecasts make a number of assumptions including penetration rates and annual gaming spend by player, additionally, we make various estimates regarding CIE's market share within each state, which could prove to be materially different than actual results).
- **Key employee departures.** CGP is dependent upon a number of key personnel including Mitch Garber (CEO) and executives from Playtika and Buffalo Studios; if these employees were to leave it would likely have a negative impact on CGP's operations.
- **Economic risk.** CGP's business model is largely dependent upon consumer discretionary spending; any material fluctuations in spending activity would likely have a negative impact on overall operations.
- **Parent company risk.** CZR remains under considerable financial stress, as indicated by the high price of its credit default swaps. In the event of any corporate restructuring at CZR, shareholders could face dilution, asset ownership transfer, and litigation.

Management

Mitch Garber – President & CEO

Mr. Garber joined Caesars Entertainment as a consultant in late 2008 and helped create CIE in May 2009, as its first employee. He was selected by the Board of Caesars Entertainment to lead CIE's efforts to enter the interactive space. Since 2009, Mr. Garber has served as CIE's Chief Executive Officer, leading all company initiatives. From April 2006 to May 2008, Mr. Garber served as the CEO of PartyGaming plc (now bwin.party), a London Stock Exchange listed and regulated online real money gaming company. For the last decade Mr. Garber has served as CEO for private as well as public companies on NASDAQ, and the London and Toronto stock exchanges in the Internet and e-commerce sectors. In addition to his most recent role at PartyGaming, he served as CEO of Optional Payments Inc., and its predecessor, Terra Payments Inc. Mr. Garber holds an undergraduate degree from McGill University and a law degree from the University of Ottawa

Craig Abrahams – CFO & Secretary

Mr. Abrahams has served as CIE's Chief Financial Officer since January 2011 and as a Senior Vice President of CIE since May 2012. He served as a Vice President of CIE from May 2009 through January 2011. Mr. Abrahams also served as Director of Broadcasting and New Media for Caesars Entertainment from May 2006 through May 2009. Previous experience includes strategic planning and investment banking roles at The Walt Disney Company and Bear, Stearns & Co. Inc., respectively. Mr. Abrahams holds a bachelor's degree in Finance from Indiana University and an M.B.A from Harvard University.

Caesars Growth Partners																		
Digital & Interactive Gaming																		
Income Statement		FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13	2Q13	3Q13	4Q13E	FY13E	1Q14E	2Q14E	3Q14E	4Q14E	FY14E	FY15E
USD \$ in millions																		
Income Statement																		
<i>Interactive Entertainment</i>																		
Social & mobile games	53.9	41.3	49.5	51.7	50.8	193.3	66.6	70.7	74.7	78.0	290.0	81.0	84.4	88.0	91.8	345.1	400.6	
WSOP & online real money gaming	12.6	2.0	2.0	4.9	5.5	14.4	2.0	3.3	4.2	6.6	16.1	17.4	21.8	25.3	29.6	94.1	167.5	
Total interactive revenue	66.5	43.3	51.5	56.6	56.3	207.7	68.6	74.0	78.9	84.6	306.1	98.4	106.1	113.3	121.4	439.2	568.8	
<i>Casino Properties & Development</i>																		
Casino	167.3	42.5	42.0	42.0	44.7	171.2	44.8	39.8	42.1	44.7	171.4	44.8	39.8	81.9	124.3	290.8	569.3	
Food & beverage	68.4	18.1	16.7	17.5	17.4	69.7	21.4	21.6	21.9	21.2	86.1	22.0	22.2	25.7	28.3	98.3	121.0	
Rooms	94.1	23.5	23.7	22.4	22.3	91.9	23.6	26.0	24.1	23.9	97.6	24.3	26.8	24.8	24.6	100.5	102.8	
Other	25.0	4.4	5.3	4.8	6.6	21.1	6.2	7.4	7.2	7.7	28.5	6.8	8.1	9.5	10.0	34.5	39.3	
Less: casino promotional allowances	(48.6)	(12.0)	(11.9)	(12.6)	(13.7)	(50.2)	(13.0)	(12.2)	(11.8)	(12.7)	(49.7)	(12.7)	(12.6)	(18.5)	(24.3)	(68.1)	(108.1)	
Total casino property allowances	306.2	76.5	75.8	74.1	77.3	303.7	83.0	82.6	83.5	84.8	333.9	85.2	84.4	123.5	162.8	455.9	723.5	
Net Revenue	372.7	119.8	127.3	130.7	133.6	511.4	151.6	156.6	162.4	169.4	640.0	183.6	190.5	236.8	284.2	895.1	1,292.4	
<i>Operating Expenses</i>																		
<i>Interactive entertainment - direct</i>																		
Platform fees (social)	16.3	13.6	16.1	16.6	16.3	62.6	21.1	22.0	23.3	24.3	90.7	25.3	26.3	27.4	28.6	107.7	125.0	
Platform fees (iGaming)												2.0	2.0	5.2	6.5	7.6	8.9	
<i>Properties & Development- direct</i>																		
Casino	76.9	19.2	19.3	20.2	20.5	79.2	19.2	16.7	18.7	18.7	73.3	19.7	17.1	29.6	37.5	103.9	154.7	
Food & beverage	32.1	8.1	8.4	8.4	8.3	33.2	10.1	10.4	11.3	11.9	43.7	10.4	10.6	17.3	21.2	59.5	86.5	
Rooms	27.6	7.0	7.0	6.8	5.9	26.7	6.4	6.7	6.8	7.2	27.1	6.6	6.8	11.1	13.8	38.4	57.5	
Property, general, administrative, and other	128.3	39.4	51.5	50.8	47.3	189.0	56.8	67.4	60.5	72.8	257.5	73.5	74.3	90.0	105.2	342.9	516.3	
Depreciation & amortization	29.6	8.1	8.0	8.1	8.0	32.2	10.4	10.4	11.5	11.7	44.0	11.9	12.0	14.2	16.5	54.6	75.0	
Change in fair value contingent consideration	-	-	-	-	-	-	52.4	(3.5)	-	-	48.9	-	-	-	-	-	-	
Total operating expenses:	310.8	95.4	110.3	110.9	106.3	422.9	176.4	130.1	132.1	148.6	587.2	152.5	153.7	197.3	231.6	735.1	1,066.7	
Operating Income	61.9	24.4	17.0	19.8	27.3	88.5	(24.8)	26.5	30.3	20.7	52.7	31.1	36.8	39.5	52.6	160.1	225.6	
Interest expense, net of interest capitalized	(39.9)	(11.3)	(10.6)	(10.0)	(9.8)	(41.7)	(10.1)	(10.2)	(15.8)	(20.0)	(56.1)	(20.0)	(20.0)	(20.0)	(20.0)	(80.1)	(80.1)	
Income from equity method investment in Growth	(2.6)																	
Interest income - related party	123.7	34.0	35.4	37.0	38.7	145.1	40.6	42.5	44.9	44.9	172.9	17.0	17.0	17.0	17.0	68.0	56.0	
Other income, net	0.1	0.4	0.5	0.6	0.4	1.9	0.2	0.1	(0.3)	-	-	-	-	-	-	-	-	
Income before taxes	143.2	47.5	42.3	47.4	56.6	193.8	5.9	58.9	59.1	45.6	169.5	28.1	33.8	36.5	49.6	148.0	201.5	
Provision for income taxes	(50.7)	(15.8)	(16.0)	(17.2)	(17.4)	(66.4)	(1.7)	(17.4)	(18.5)	(14.3)	(51.9)	(8.8)	(10.6)	(11.4)	(15.5)	(46.3)	(63.3)	
Net income (loss)	92.5	31.7	26.3	30.2	39.2	127.4	4.2	41.5	40.6	31.3	117.6	19.3	23.2	25.1	34.1	101.7	138.5	
Non controlling income	(8.0)	(0.4)	(0.3)	(0.7)	0.8	(0.6)	2.1	(1.0)	3.2	-	4.3	(2.0)	(4.0)	(6.0)	(6.0)	(26.0)	(26.0)	
Net income attributable to Growth Partners	84.5	31.3	26.0	29.5	40.0	126.8	6.3	40.5	43.8	31.3	121.9	19.3	23.2	23.1	30.1	95.7	112.5	
<i>Earnings per share</i>																		
- Basic	\$ 0.68	\$ 0.23	\$ 0.19	\$ 0.22	\$ 0.29	\$ 0.94	\$ 0.03	\$ 0.31	\$ 0.30	\$ 0.23	\$ 0.87	\$ 0.14	\$ 0.17	\$ 0.18	\$ 0.25	\$ 0.75	\$ 1.02	
- Diluted	\$ 0.68	\$ 0.23	\$ 0.19	\$ 0.22	\$ 0.29	\$ 0.94	\$ 0.03	\$ 0.31	\$ 0.30	\$ 0.23	\$ 0.87	\$ 0.14	\$ 0.17	\$ 0.18	\$ 0.25	\$ 0.75	\$ 1.02	
Weighted average shares outstanding																		
- Basic	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	
- Diluted	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	
Adjusted EBITDA																		
Interactive Entertainment	27.8	16.8	17.5	22.7	19.2	76.2	20.6	20.1	29.8									
Properties and Development	74.5	18.4	15.8	13.2	20.8	69.1	21.9	22.2	13.6									
Total	102.3	35.2	33.3	35.9	40.0	145.3	42.5	42.3	43.4	32.4	160.6	43.0	48.8	53.7	69.1	214.7	300.0	
Earnings analysis	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13	2Q13	3Q13	4Q13E	FY13E	1Q14E	2Q14E	3Q14E	4Q14E	FY14E	FY15E	
EBITDA Margin analysis																		
Interactive Entertainment	41.8%	38.8%	34.0%	40.1%	34.1%	36.7%	30.0%	27.2%	37.8%									
Properties and Development	24.3%	24.1%	20.8%	17.8%	26.9%	22.8%	26.4%	26.9%	16.3%									
Total Adjusted EBITDA Margin	27.4%	29.4%	26.2%	27.5%	29.9%	28.4%	28.0%	27.0%	26.7%	19.1%	25.1%	23.4%	25.6%	22.7%	24.3%	24.0%	23.3%	
Growth analysis (y/y)																		
Social & mobile games																		
WSOP & online real money gaming																		
Total interactive revenue																		
Casino																		
Food & beverage																		
Rooms																		
Other																		
Total casino property revenue																		
Net Revenue																		
	37.2%	26.5%	23.0%	24.3%	26.8%	25.1%	21.1%	21.7%	45.8%	67.8%	39.9%	44.4%	45.8%	47.8%	49.8%	51.8%	53.8%	



U.S. Gaming

Caesars Acquisition Company (CACQ) – Let It Grow; Initiating Coverage at Outperform and \$13 TP

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ccrumbley@caesars.com Charise Crumbley 05/21/14 05:12:34 PM Caesars Entertainment Corporation

Company Overview

- NASDAQ: CACQ—Market Cap \$1.6bn
- What Is Caesars Acquisition Company?
 - CAC was formed to make an equity investment in Growth Partners, a joint venture between CAC and Caesars Entertainment (CZR).
 - Growth Partners is a casino asset/entertainment company focused on acquiring/developing a portfolio of high-growth operating assets as well as equity/debt investments in the gaming/interactive entertainment industries.
- Interactive Entertainment (Clicks)
 - Assets include a 76% stake in Caesars Interactive Entertainment (CIE) (with its social and mobile games, the World Series of Poker, and regulated online real money gaming businesses)
 - Slotomania (top ten grossing casino themed app Facebook, iOS, Android)
 - Bingo Blitz, Caesars Online, and WSOP
- Casino Properties (Bricks)
 - Assets include 100% and 41% stakes in Planet Hollywood (Las Vegas Strip) and Horseshoe Baltimore (being developed by a joint venture).
 - CGP will collect 50% of the management fees from these properties
- Other Assets (Bonds & Cash)
 - Bond portfolio (\$1.1bn face value) of Caesars Entertainment Operating Company debt
 - Following the recent rights offering (4Q13E), CGP will hold cash of \$1.0bn, which can fund growth investments

Source: Credit Suisse; Company Information

Initiating Coverage at Outperform and \$13 TP

▪ Valuation Methodology

Value Attributed to Caesars Acquisition Corp (CACQ)	
CGP Equity Value, One Year From Today	3,949
CACQ Share of CGP	43%
Equals: Equity Value of CACQ	1,698
Diluted Shares Outstanding	136
Equals: Target Price, One Year from Today	\$13



CGP Valuation - (US\$m, except per share data)	
2015E Social EBITDA	140
EBITDA Multiple	12.0x
CGP Ownership	76%
Equals: Social Enterprise Value	1,280
2015E NJ Real Money Online EBITDA	24
EBITDA Multiple	13.0x
CGP Ownership	76%
Equals: NJ Real Money Enterprise Value	236
2015E Planet Hollywood EBITDA	92
EBITDA Multiple	10.0x
Equals: Planet Hollywood Enterprise Value	923
2015E Baltimore EBITDA (41% ownership)	95
EBITDA Multiple	9.0x
CGP Ownership	41%
Equals: Planet Hollywood Enterprise Value	352
2015E 50% of Management Fees (PH and Baltimore)	15
EBITDA Multiple	12.0x
Equals: Mgmt Fee Enterprise Value	180
2015E Corporate Expense	(13)
EBITDA Multiple	10.8x
Equals: Corporate Expense Value	(140)
Plus: Value of OpCo Bonds (YE2015)	510
Less: Net Debt (YE2015)	(1,022)
Equals: Equity Value	4,361
Discount Rate	10.0%
Discount Timeframe	1.0
Equals: Equity Value, One Year From Today	3,949

▪ Cleaner platform to pursue growth opportunities

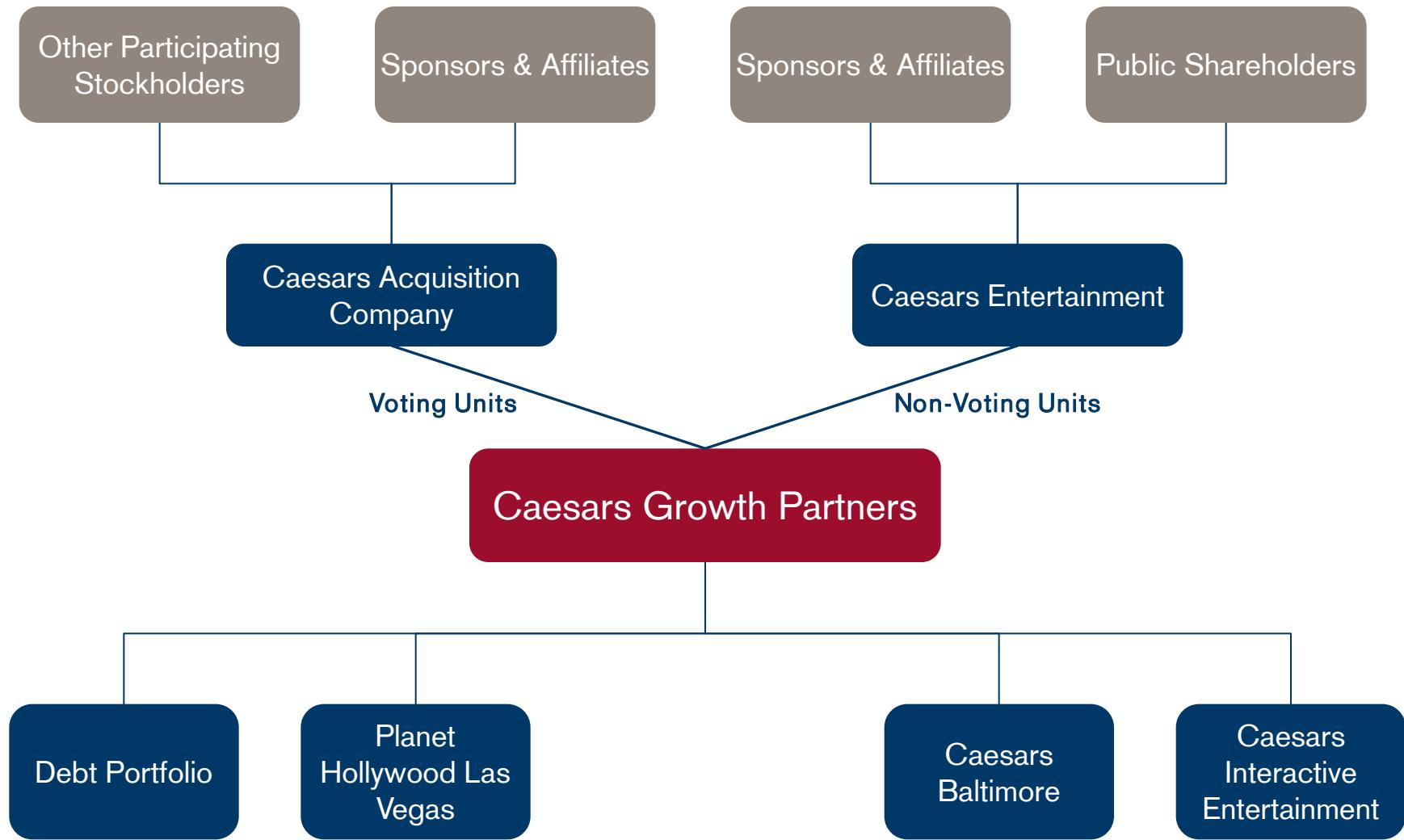
- Cash-generating brick-and-mortar assets plus a rapidly growing social gaming platform
- Stronger balance sheet positioning with \$1.0bn of cash (CGP YE2013 estimate) versus highly leveraged CZR
- Leveraged balance sheet of CZR has been a gating factor on new projects for regulators and in competition with better capitalized peers

▪ Give investors a direct way to play social and online casino gaming growth

- Leverage the CIE platform and CZR database (44m customers) as U.S. online gaming launches
- CIE has launched in Nevada (poker only) and New Jersey (full-service casino)
- Outside of Boyd Gaming (BYD- OP \$16 TP), MGM Resorts (BYD- OP \$25 TP), and IGT (IGT- UP \$16 TP) there are few ways for U.S. investors to play online casino gaming directly

Source: Credit Suisse; Company Information

New Organizational Structure



Source: Credit Suisse; Company Information

Caesars Interactive Entertainment

- LTM 9/30: Revenue & EBITDA = \$276m and \$90m

- Social and Mobile Games

- Playtika/Slotomania (Acquired May 2011)
- Bingo Blitz (Acquired Dec 2012)
- WSOP Social & Mobile Assets



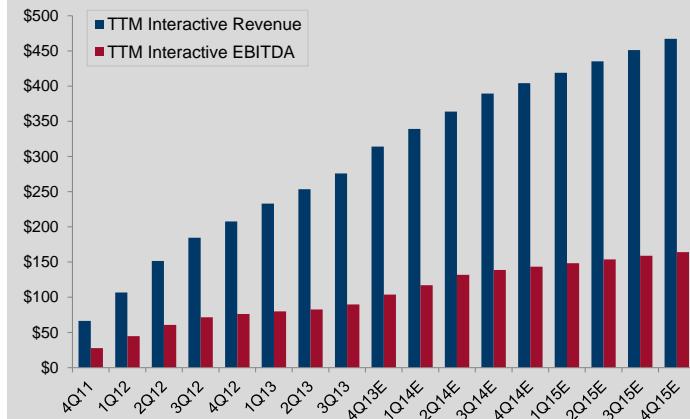
- Regulated Online Real Money Gaming

- Launched in Nevada in September 2013
- Launched in New Jersey in November 2013
- Infancy of domestic rollout
- Many competitors but small profits given customer acquisition costs
- Watching closely for domino effect in neighboring states
- Our view is that federal online gaming is many years away
- Sports betting is many years away but would be a game changer

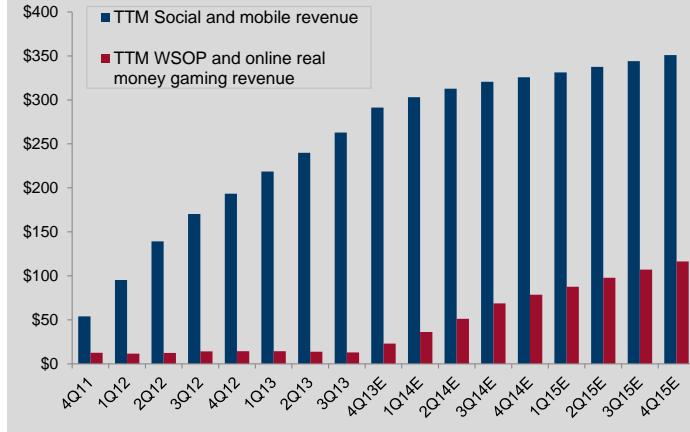


- World Series of Poker

Interactive Revenue/EBITDA 2011-2015E (\$m)



Social/Mobile and WSOP/Real Money Revenue 2011-2015E



Source: Credit Suisse; Company Information

Social and Mobile Games

▪ Playtika (Slotomania)

- Consistently a top ten highest grossing casino-themed game on the Facebook (FB), iOS, and Android platforms
- While free to play, customers can purchase virtual goods (coins, new game content)
- During 3Q13, 1.4% or 200k monthly unique players monetized
- Bingo Blitz (Acquired December 2012 w/ Buffalo Studios)

▪ Bingo Blitz (Acquired for \$50.8m in December 2012)

- Free to play social bingo-style games launched in October 2010
- Acquired for \$50.8m in December 2012
- Expanding to multiple languages and local content

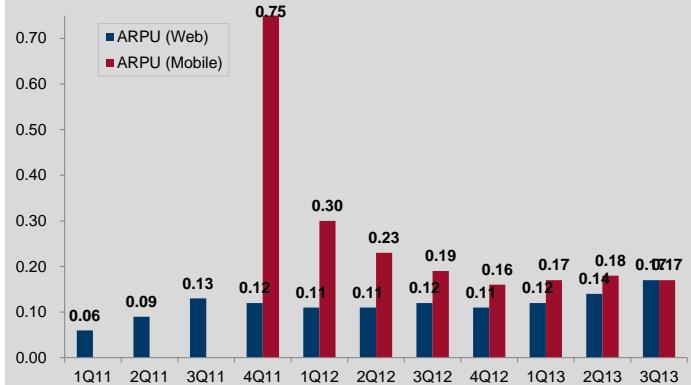
Bingo Blitz Screen Shot



Social/Mobile Games Monthly Active Users (m)



Average Revenue per User (ARPU)



Source: Credit Suisse; Company Information

Considerations for Social Gaming

- Evergreen games that aren't hit driven
 - Slots, blackjack, roulette, poker are “evergreen” that have been around for a hundred years or longer
 - The social games on which CIE is focused are not hit driven like Angry Birds, Farmville, or Candy Crush Saga
- Flow of content and gameplay innovation are critical
 - CIE develops its own slot content (through existing and acquired studios) as well as other developers
 - 450 employees working on social/mobile content and platform development primarily in Eastern Europe and Israel
 - Traditional gaming equipment suppliers including IGT, BYI, SGMS, ASX-ALL may have an advantage with large libraries
- Mobile should have explosive growth versus desktop
 - We believe there is a 50/50 mix between mobile and desktop
 - Still easier to attract traffic on desktop and scale the business
 - Console gaming transition including PS4 and XBOX One could provide additional install base for social casino games
- Competitive overview
 - IGT: DoubleDown Casino
 - SGMS: Jackpot Party Casino
 - Big Fish Games (private)
 - Cervo-Media (Pharaoh's Way) (private)
 - Blue Hare Studios (Time Quest Slots) (private)

IGT's DoubleDown Casino Screen Shot



Considerations for Real Money Online Gaming

▪ A new landscape, state by state

- State-by-state rollout given failure to introduce Federal solution
- Live in Delaware (poker/casino), Nevada (poker), New Jersey (poker/casino)
- Opportunity to be synergistic for land-based operators
- H2 Gaming Capital consultancy estimates that U.S. online real money poker could generate \$9.6bn annually

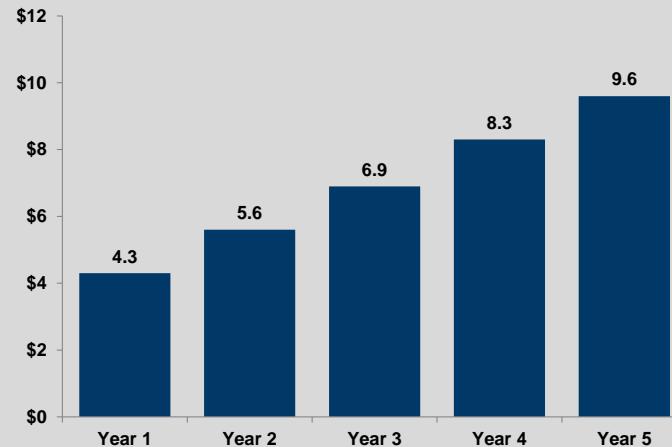
▪ Leveraging Caesars' brick and mortar

- Consumers may trust Caesars versus virtual-only competitors given familiarity with brands and assets
- Access to 44m member Total Rewards database, one of the leading loyalty rewards programs in gaming
- CACQ will access Total Rewards via a 3% royalty agreement
- 3 brands: WSOP.com, Harrahscasino.com, and Caesarscasino.com

▪ New Jersey market overview

- Reasonable tax rate of 15% versus 9.25% land-based tax rate
- You do not need to be a resident to gamble but must be located in-state during wagering
- We project potential revenues of \$250-350m 2-3 years after launch
- Anticipating high initial customer acquisition costs and relatively low profit margins in early days
- No sports betting initially reduces breadth of market (~40% of betting in Europe)
- Focus on (1) hacking/security, (2) underage gambling, (3) credit card processing, and (4) geo-location
- If all goes well we see California, New York, Illinois, Massachusetts, and Maryland as potential adopters of online gaming

Forecast Regulated US Internet Poker (GGR \$bn)



State by State Build Up 2014-2019



Source: H2 Gaming Capital, Spectrum Gaming Group, Company information, and Credit Suisse estimates.

New Jersey Snapshot

▪ Key competitors

- **Borgata (BYD/MGM) (Platform: BWN):** borgatacasino.com, borgatapoker.com, nj.partypoker.com
- **Caesars Interactive Entertainment (Platforms: Amaya and 888):** harrahscasino.com, wsop.com, 888.com, 888poker.com, 888casino.com, caesarscasino.com
- **Golden Nugget Atlantic City (Platform: Bally IGP):** goldennuggetcasino.com, nj-casino.goldennuggetcasino.com
- **Tropicana Casino & Resort (TPCA) (Platform - GameSys):** tropicanacasino.com, virgincasino.com
- **Trump Plaza (Platform: Betfair):** betfaircasino.com
- **Trump Taj Mahal (Platform: Ultimate Gaming):** ucasino.com

▪ Anticipating solid market share in New Jersey

- TTM November 2013, CZR had an 39.5% share of the physical New Jersey market
- While there are no guarantees that the virtual world will reflect the physical world, cross-marketing with Total Rewards members should aid initial market share
- Projecting CGP GGR of \$66m, \$103m, \$143m in 2014, 2015, and 2016, respectively
- Expect Caesars to make a more pronounced marketing push in New Jersey beginning in January 2014 (traditional channels and through Total Rewards)

New Jersey Market Size (2015)

<table border="1"> <tr> <td>Population</td> <td>9,157</td> </tr> <tr> <td>% of population < 21</td> <td>25%</td> </tr> <tr> <td>Potential Gamblers</td> <td>6,868</td> </tr> <tr> <td>% of ≥ 21 who gamble online</td> <td>23%</td> </tr> <tr> <td>Online Gamblers</td> <td>1,580</td> </tr> <tr> <td>TOTAL NJ MARKET</td> <td>\$258,158</td> </tr> </table> <table border="1"> <tr> <td>Rolling Online Gamblers %</td> <td>0.30%</td> </tr> <tr> <td>Rolling Online Gamblers</td> <td>5</td> </tr> <tr> <td>\$/Person/Quarter: Rolling</td> <td>\$99,390</td> </tr> <tr> <td>Total Rolling Market</td> <td>\$25,459</td> </tr> </table> <table border="1"> <tr> <td>Poker</td> <td></td> </tr> <tr> <td>Poker Players%</td> <td>97%</td> </tr> <tr> <td>Poker Players</td> <td>5</td> </tr> <tr> <td>Drop</td> <td>\$450,645</td> </tr> <tr> <td>Rake</td> <td>5%</td> </tr> <tr> <td>Win</td> <td>\$22,532</td> </tr> </table> <table border="1"> <tr> <td>Other Table</td> <td></td> </tr> <tr> <td>Other Table games players %</td> <td>3%</td> </tr> <tr> <td>Other Table games players</td> <td>0</td> </tr> <tr> <td>Drop</td> <td>\$13,937</td> </tr> <tr> <td>Win %</td> <td>21%</td> </tr> <tr> <td>Win</td> <td>\$2,927</td> </tr> </table> <table border="1"> <tr> <td>Slot/Other</td> <td></td> </tr> <tr> <td>Slot players %</td> <td>67%</td> </tr> <tr> <td>Slot players</td> <td>1,055</td> </tr> <tr> <td>Drop</td> <td>\$430,923</td> </tr> <tr> <td>Hold %</td> <td>21%</td> </tr> <tr> <td>Win</td> <td>\$9,049</td> </tr> </table> <table border="1"> <tr> <td>Caesars Market Share (est.)</td> <td>40%</td> </tr> <tr> <td>Caesars Revenue (est.)</td> <td>103,263</td> </tr> <tr> <td>Gaming Tax Rate</td> <td>15%</td> </tr> <tr> <td>Post-Tax Revenue</td> <td>87,774</td> </tr> <tr> <td>Other Operating Expense</td> <td>64,539</td> </tr> <tr> <td>EBITDA</td> <td>23,234</td> </tr> <tr> <td>% Margin</td> <td>23%</td> </tr> </table>	Population	9,157	% of population < 21	25%	Potential Gamblers	6,868	% of ≥ 21 who gamble online	23%	Online Gamblers	1,580	TOTAL NJ MARKET	\$258,158	Rolling Online Gamblers %	0.30%	Rolling Online Gamblers	5	\$/Person/Quarter: Rolling	\$99,390	Total Rolling Market	\$25,459	Poker		Poker Players%	97%	Poker Players	5	Drop	\$450,645	Rake	5%	Win	\$22,532	Other Table		Other Table games players %	3%	Other Table games players	0	Drop	\$13,937	Win %	21%	Win	\$2,927	Slot/Other		Slot players %	67%	Slot players	1,055	Drop	\$430,923	Hold %	21%	Win	\$9,049	Caesars Market Share (est.)	40%	Caesars Revenue (est.)	103,263	Gaming Tax Rate	15%	Post-Tax Revenue	87,774	Other Operating Expense	64,539	EBITDA	23,234	% Margin	23%	<table border="1"> <tr> <td>Mass Online Gamblers %</td> <td>99.70%</td> </tr> <tr> <td>Mass Online Gamblers</td> <td>1,575</td> </tr> <tr> <td>\$/Person/Quarter: Mass</td> <td>\$924</td> </tr> <tr> <td>Total Mass Market</td> <td>\$232,699</td> </tr> </table> <table border="1"> <tr> <td>Poker</td> <td></td> </tr> <tr> <td>Poker Players%</td> <td>30%</td> </tr> <tr> <td>Poker Players</td> <td>472</td> </tr> <tr> <td>Drop</td> <td>\$430,923</td> </tr> <tr> <td>Rake</td> <td>5%</td> </tr> <tr> <td>Win</td> <td>\$21,546</td> </tr> </table> <table border="1"> <tr> <td>Other Table</td> <td></td> </tr> <tr> <td>Other Table%</td> <td>3%</td> </tr> <tr> <td>Table Players</td> <td>47</td> </tr> <tr> <td>Drop</td> <td>\$43,092.33</td> </tr> <tr> <td>Hold %</td> <td>21%</td> </tr> <tr> <td>Win</td> <td>\$9,049</td> </tr> </table> <table border="1"> <tr> <td>Slot/Other</td> <td></td> </tr> <tr> <td>Slot players %</td> <td>67%</td> </tr> <tr> <td>Slot players</td> <td>1,055</td> </tr> <tr> <td>Drop</td> <td>\$962,395</td> </tr> <tr> <td>Hold %</td> <td>21%</td> </tr> <tr> <td>Win</td> <td>\$202,103</td> </tr> </table>	Mass Online Gamblers %	99.70%	Mass Online Gamblers	1,575	\$/Person/Quarter: Mass	\$924	Total Mass Market	\$232,699	Poker		Poker Players%	30%	Poker Players	472	Drop	\$430,923	Rake	5%	Win	\$21,546	Other Table		Other Table%	3%	Table Players	47	Drop	\$43,092.33	Hold %	21%	Win	\$9,049	Slot/Other		Slot players %	67%	Slot players	1,055	Drop	\$962,395	Hold %	21%	Win	\$202,103
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Source: Credit Suisse; Company Information

World Series of Poker

▪ Rich history and brand awareness are high

- Founded in 1970 at Binion's Las Vegas
- ~80k entrants in Las Vegas tournament in 2013
- ~75k additional entries for side tournaments, with entrants coming from over 100 countries
- TV contract w/ ESPN through 2017 (32 hours of original programming annually), re-broadcast 175 times in 2012
- Sponsorships with brands, such as Miller Lite, Red Bull, Frito-Lay, Jacks Link's
- Licensing arrangements for a wide variety of consumer products including licensing with Microsoft for a new Xbox Live game that launched in September 2013

▪ Key brand for real money gaming

- Positioned to be leading poker site in states that legalize online real money gaming
- In May 2013, CIE acquired the *World Series of Poker* social and mobile game assets and intellectual property from Electronic Arts (EA)
- Expect the company to continue optimizing this brand for social gaming
- 8 states have also sold WSOP branded instant lottery tickets since 2009

▪ Competitive overview

- World Poker Tour (Since 2002, WPT has broadcast high stakes poker tournaments. WPT has broadcast globally in over 150 countries and territories and is currently airing the eleventh season on FSN in the US).
- Heartland Poker Tour (Acquired by Pinnacle Entertainment in 2012, HPT was founded in 2005 and travels across the U.S. bringing live and televised poker series to millions of homes each week).
- Zynga Poker (ZNGA, Underperform-rated, \$4 TP, Stephen Ju)



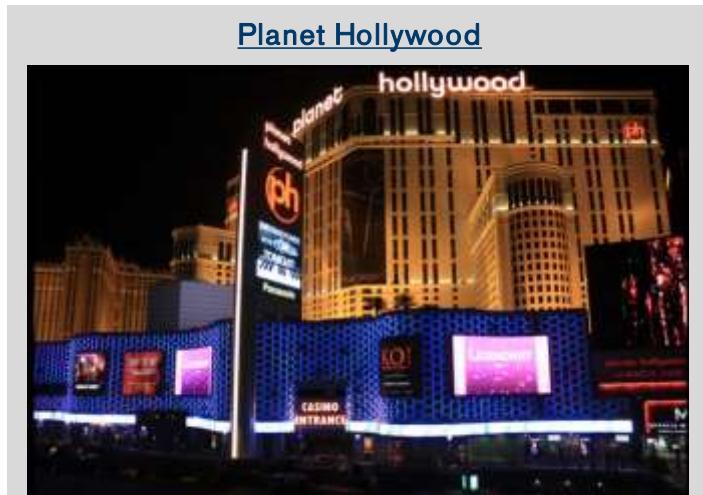
Xbox Live WSOP Game



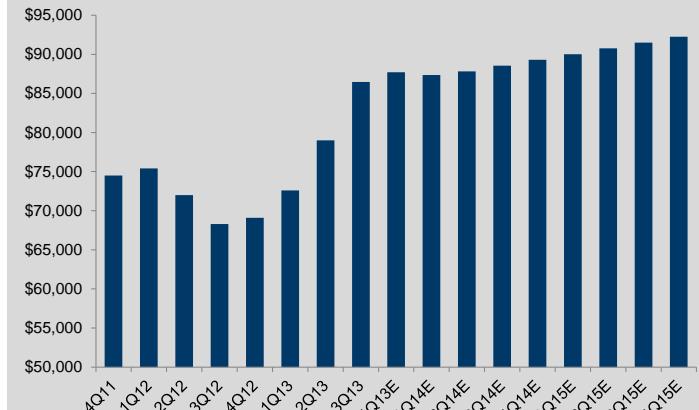
Source: Credit Suisse; Company Information

Planet Hollywood – 100% Ownership

- Constructed in 2001 as the Aladdin
- Substantially renovated in 2007
- Acquired by CZR in Feb 2010 in a distressed transaction
- Managed by CEOC (\$17m annual fee in 2013E)
 - CGP will receive 50% of the management fee
- CGP assumed Planet Hollywood \$510m Term Loan
- Property Details:
 - 35-acre site east side of LV Strip
 - Across from Cosmopolitan and in close proximity to CityCenter (MGM)
 - 2,500 room hotel with 1,100 slots and 79 table games
 - 10 F&B outlets, 80k sqf convention space, Miracle Mile shops
- Capitalizing on continued recovery of the Las Vegas Strip
 - Shares significant foot traffic with other CZR assets including Paris, Bally's
 - TTM October 2013 visitation of 39.6m, 10% higher than 8/2009 low
 - Positive commentary from most operators on 2014 convention outlook
 - New attractions including LINQ, SLS could create incremental demand



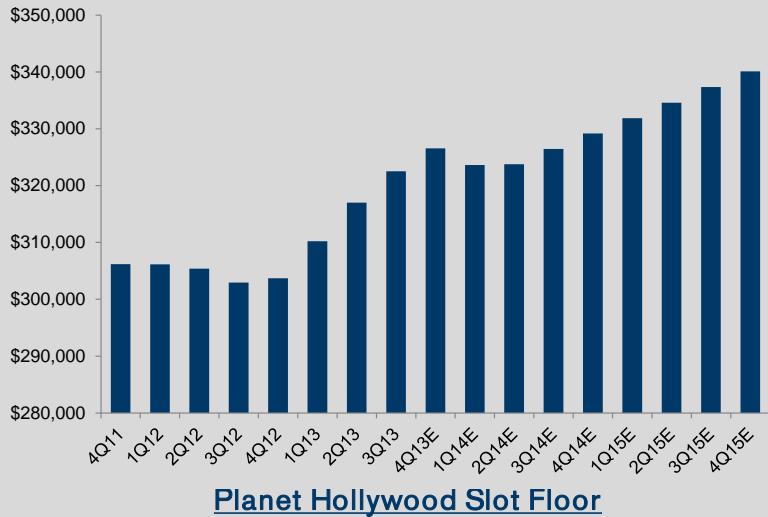
PH Historical / Projected TTM EBITDA 2011-2015



Source: Credit Suisse; Company Information

Planet Hollywood

Planet Hollywood Historical and Projected TTM Revenues



Planet Hollywood Historical and Projected Model Drivers

	2011	2012	2013E	2014E	2015E
Slot revenue					
Number Slots	1,100	1,100	1,100	1,100	1,100
Win/day/slot	280	280	282	291	299
Slot revenue	112,420	112,728	113,270	116,668	120,168
% total	66%	66%	66%	66%	66%
Table revenue					
Number Tables	79	79	79	79	79
Win/table/day	2,000	2,000	2,015	2,075	2,138
Table revenue	57,670	57,828	58,106	59,849	61,645
% total	34%	34%	34%	34%	34%
Rooms revenue:					
Rooms	2,500	2,500	2,500	2,500	2,500
Occupancy	96%	94%	95%	95%	95%
ADR	105	107	115	120	125
Room Revenue	94,100	91,900	99,908	104,135	108,473

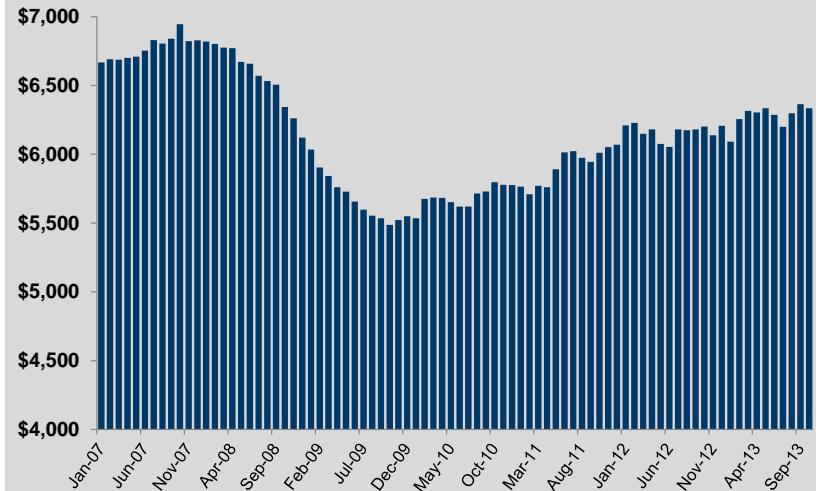
Gordon Ramsay BurGR Restaurant



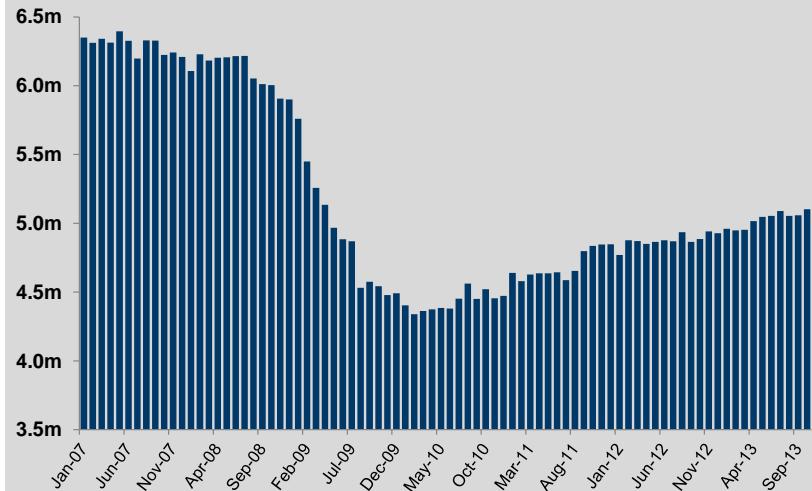
Source: Credit Suisse; Company Information

Las Vegas Statistics

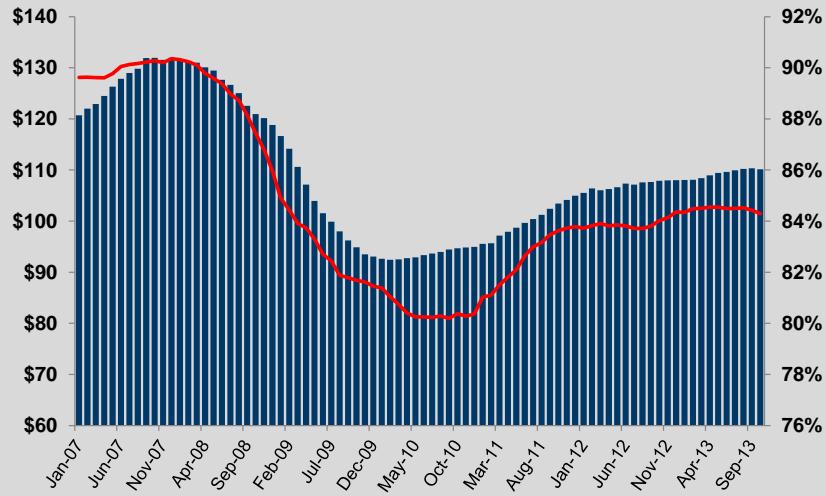
LV Strip Gaming Revenues (2007-TTM October 2013; 000's)



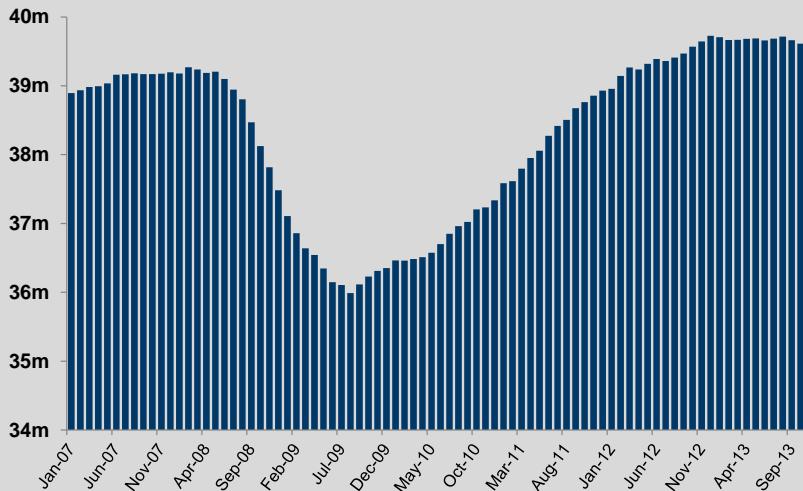
LV Convention Attendance (2007- TTM October 2013)



LV Hotel Occupancy and ADR (2007-TTM October 2013)



LV Visitation (2007-TTM October 2013)



Source: LVCVA, Nevada Gaming Control Board and Company Information

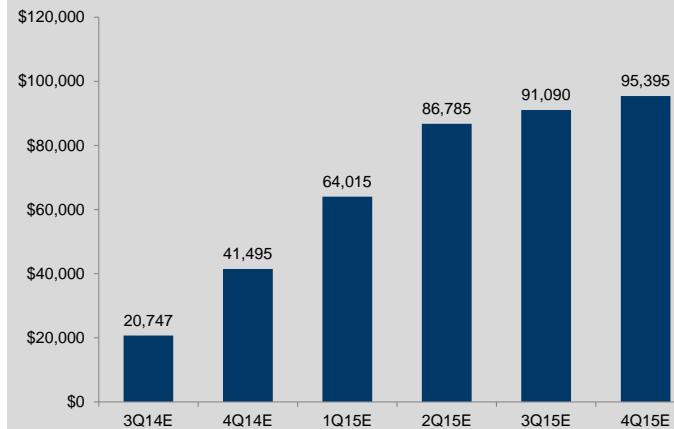
Horseshoe Baltimore—41% Ownership

- 3Q14 Expected Opening
 - CGP will own 41% of Horseshoe Baltimore
 - Other owners include Rock Gaming and local partners
- Blocks from M&T Stadium and Camden Yards
- 2,500 VLTs, 100 table games, 30 poker tables
- Managed by CEOC
 - CGP will receive 50% of management fee
- Total cost of ~\$400m
- Horseshoe Baltimore Debt Structure
 - \$225m Term Loan B, \$75m Delayed Draw TL, \$10m Revolver, and \$30m FF&E Facility
- Some Positives from Future 6th Maryland License
 - 6th Property cannot open until the earliest of 7/1/16, or 30 months after the opening of Horseshoe Baltimore
 - All 6 properties can offer table games at a 20% tax rate
 - VLT tax rate at Horseshoe will be reduced 7% upon opening of the 6th property

Horseshoe Baltimore Project Rendering



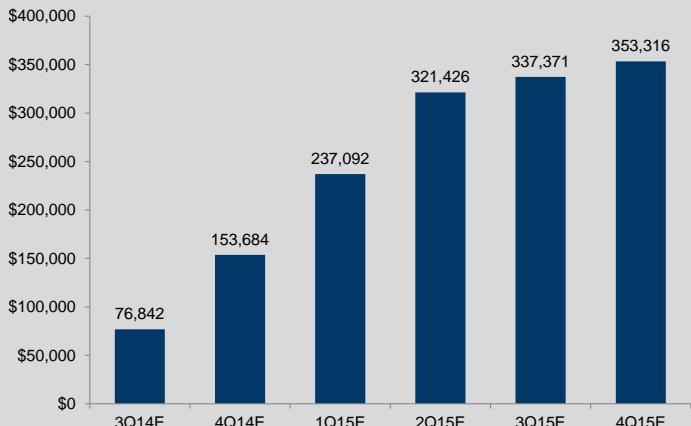
Horseshoe Baltimore Projected TTM EBITDA
2014-2016



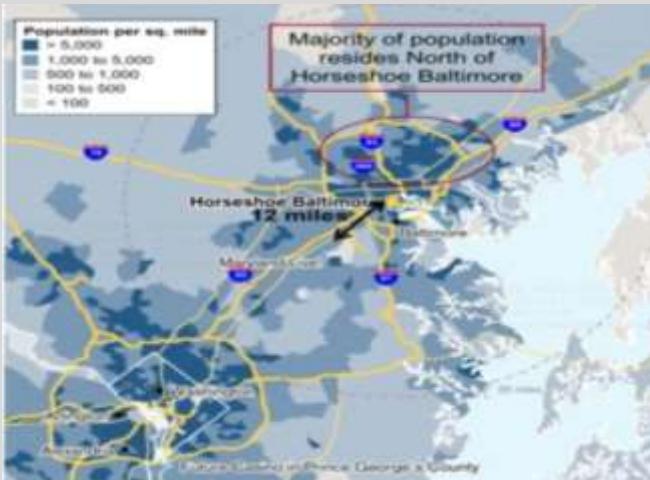
Source: Credit Suisse; Company Information

Horseshoe Baltimore

Horseshoe Baltimore Projected Revenues



Densely Populated Local Area



Horseshoe Baltimore Model Drivers

	3Q14E	4Q14E	2014E	2015E
<i>Slot revenue</i>				
Number Slots	2,500	2,500	2,500	2,500
Win/day/slot	175	175	88	196
Slot revenue	40,250	40,250	80,500	178,550
% total	66%	66%	66%	66%
<i>Table revenue</i>				
Number Tables	130	130	130	130
Win/table/day	1,750	1,750	1,750	1,931
Table revenue	20,930	20,930	41,860	91,670
% total	34%	34%	34%	34%

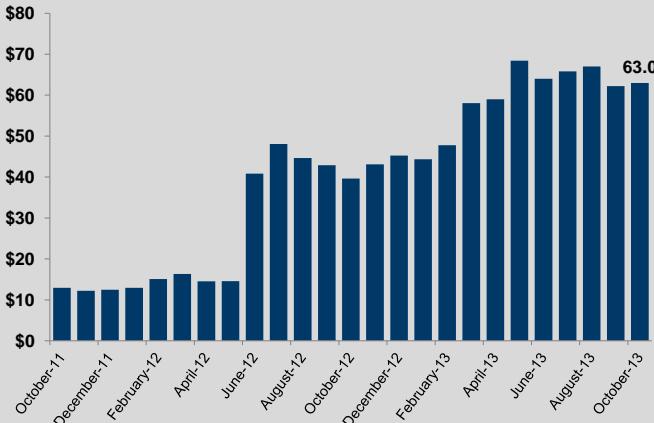
Horseshoe Baltimore Location



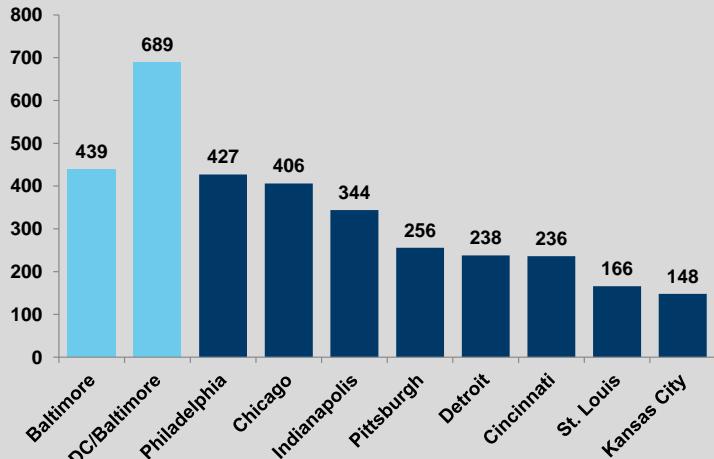
Source: Credit Suisse; Company Information

Maryland Gaming Market

Maryland Historical Gaming Revenue 2011-YTD 2013



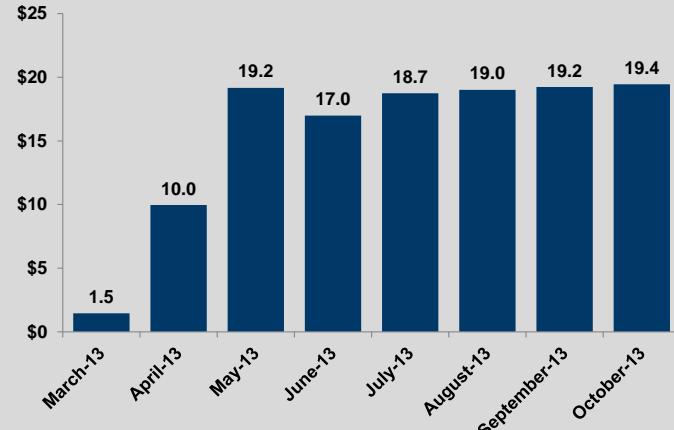
Baltimore/DC Adults Per Position are Favorable



Maryland Casino Licenses

Location	Name	Operator	VLTs	2012 GGR
Worcester County	Ocean Downs	Ocean Enterprise	800	\$49.9m
Cecil County	Hollywood Casino	Penn National	1158	\$98.6m
Arundel Mills	Maryland Live!	Cordish	4319	\$229.3m
Baltimore City	Horseshoe Baltimore	CBAC Borrower	2500	--
Allegany County	Rocky Gap	Evitts Resort	554	--

Maryland Table Gaming Revenues are Ramping



Source: Company Information, Maryland Gaming Commission, and Credit Suisse estimates.

MGM National Harbor Is Likely a Future Competitor

- Maryland Gaming Commission is deliberating on 3 proposals for the 6th gaming license
 - MGM: National Harbor
 - PENN: Rosecroft Raceway
 - Greenwood Racing: PARX (private)
- A decision on the Prince George's County license is expected by year-end
- We believe the odds-on favorite is MGM's \$925m project at National Harbor
 - Just 8 miles from the U.S. capitol
 - Incremental to the substantial investment in the National Harbor multi-use development
- Location will pull primarily from D.C. as well as tourists/convention customers
 - We anticipate Maryland Live! and Charles Town (PENN) would suffer the most cannibalization
 - Synergies with Gaylord National Harbor (RHP/MAR) 2,000 room convention hotel
- MGM unlikely to open until 2H16/1H17

MGM National Harbor Site



MGM National Harbor Project Rendering



Source: Credit Suisse; Company Information

Bond Portfolio Review

- Interest income base for several years

- 5.626% senior notes due 2015
- 6.5% senior notes due 2016
- 5.75% senior notes due 2017
- 10.75% senior toggle notes due 2018
- Potential for upside appreciation should CEOC fundamentals improve
- Potential payback at par value

Bond Portfolio (as of 3Q13)	Face Value	Fair Value
5.625% senior notes due June 1, 2015	427.3	387.8
6.50% senior notes due June 1, 2016	324.5	244.2
5.75% senior notes due Oct 1, 2017	390.9	261.9
10.75% senior toggle notes due Feb 1, 2018	3.9	3.4
Total	1,146.6	897.3

Key Investment Risks

1) Many uncertainties in online gaming

- While there may be a limited number of initial participants in New Jersey and other states, it will be competitive
- As Europe demonstrated, upstarts can beat the incumbents (e.g., 888 and Poker Stars)
- Domino states like California, Illinois, Pennsylvania, New York, Florida and others with attractive scale and demographics could be years away

2) Social gaming is highly competitive

- Low barriers to entry and many strong competitors (e.g., IGT/SGMS and independent content developers)
- The recipe for player monetization is still being defined, while customer retention can be costly
- Social casinos compete with other casual gaming options (e.g., King.com, Candy Crush Saga)

3) Many uncertainties in pursuit of bricks growth opportunities

- CGP has an obligation to give a right of first refusal for any development opportunities to CZR, but CZR has no obligation to give any development opportunities to Growth Partners
- CZR may keep all potential development opportunities for itself
- CGP will compete with other public gaming companies (domestic and international) for scarce opportunities
- Massachusetts experience highlights potential regulatory challenges even for experienced bidders

4) Other risks and concerns

- Initial trading liquidity could be limited
- Complexity of the CACQ story may lead to a niche investor base and following
- Delays in construction of Horseshoe Baltimore
- Maturation and valuation of bond portfolio

Source: Credit Suisse; Company Information

Call Right Feature May Bound Share Price

▪ Overview

- After 3rd anniversary of closing, and subject to certain leverage, liquidity and equity value considerations, CZR will have the right to acquire CACQ's voting units of CGP or, at the election of CACQ, shares of CACQ's Class A common stock

▪ Determining Valuation (Min/Max Prices of \$11.66/12.88/14.23 and \$16.88/21.09/26.37 at Year 3/4/5)

- The price for the Call Right will be the FMV of CACQ's stake in CGP, as determined by an independent appraisal and subject to:
 - A minimum of CACQ's initial capital contribution compounded at a 10.5% IRR
 - A maximum of CACQ's initial capital contribution compounded at a 25.0% IRR

▪ Key Exercise Conditions

- CZR must have at least \$1bn of liquidity
- CZR must maintain a total net debt ratio below 9x
- A majority of independent CZR directors must approve the exercise of the Call Right
- CZR's common stock is registered with the SEC and listed on a national securities exchange
- No event of default under and financing agreement of CZR and/or its subsidiaries

▪ Other Considerations

- The Call Right may be exercised up to 3 times
- Until the Call Right is exercised in full, any shares acquired by CZR will become non-voting units
- The consideration will be payable in either cash or CZR common stock
- The cash portion of the consideration may not exceed 50% of the total consideration
- CZR shares paid may not exceed 50% of CZR shares outstanding following the issuance of shares paid in the exercise of the Call Right

Source: Credit Suisse; Company Information

Mandatory Liquidation of CACQ

▪ Liquidation Right

- Beginning five years after closing, the BOD of CAC has right to liquidate CGP
- 8.5 years after closing, liquidation becomes mandatory unless agreed upon by both CAC and CZR
- Process determined by special-purpose liquidation committee w/ reps from CZR and CAC
- Proceeds from liquidation of CAC prioritized under the following:
 1. Voting units held in CAC: distributions equal CAC's initial contribution plus returns of 10.5% per year on invested proceeds
 2. Non-voting units held by CZR: distributions equal to 10.5% per year return on contribution
 3. Pro-rata: remaining proceed will be allocated to holders on pro-rata basis

CACQ Target Price Calculation

- Our \$13 target price is based on CACQ's 43% stake in CGP

CGP Valuation - (US\$m, except per share data)		Value Attributed to Caesars Acquisition Corp (CACQ)	
2015E Social EBITDA	140	CGP Equity Value, One Year From Today	3,949
EBITDA Multiple	12.0x	CACQ Share of CGP	43%
CGP Ownership	76%	Equals: Equity Value of CACQ	1,698
Equals: Social Enterprise Value	1,280	Diluted Shares Outstanding	136
2015E NJ Real Money Online EBITDA	24	Equals: Target Price, One Year from Today	\$13
EBITDA Multiple	13.0x		
CGP Ownership	76%		
Equals: NJ Real Money Enterprise Value	236		
2015E Planet Hollywood EBITDA	92		
EBITDA Multiple	10.0x		
Equals: Planet Hollywood Enterprise Value	923		
2015E Baltimore EBITDA (41% ownership)	95		
EBITDA Multiple	9.0x		
CGP Ownership	41%		
Equals: Planet Hollywood Enterprise Value	352		
2015E 50% of Management Fees (PH and Baltimore	15		
EBITDA Multiple	12.0x		
Equals: Mgmt Fee Enterprise Value	180		
2015E Corporate Expense	(13)		
EBITDA Multiple	10.8x		
Equals: Corporate Expense Value	(140)		
Plus: Value of OpCo Bonds (YE2015)	510		
Less: Net Debt (YE2015)	(1,022)		
Equals: Equity Value	4,361		
Discount Rate	10.0%		
Discount Timeframe	1.0		
Equals: Equity Value, One Year From Today	3,949		

Source: Credit Suisse; Company Information

CGP Summary Income Statement

(US\$m, except per share data)	2011	2012	1Q13	2Q13	3Q13	4Q13E	2013E	2014E	2015E
INCOME STATEMENT									
REVENUES									
Interactive Entertainment									
Social and mobile games	53.9	193.3	66.6	70.7	74.7	79.2	291.2	325.8	350.8
WSOP and online real money gaming	12.6	14.4	2.0	3.3	4.2	13.5	23.0	78.5	116.3
Total Interactive Revenue	66.5	207.7	68.6	74.0	78.9	92.7	314.2	404.3	467.1
Casino Properties and Developments									
Casino Properties and Developments	167.3	171.2	44.8	39.8	42.1	44.2	170.9	298.9	452.0
Food and beverage	68.4	69.7	21.4	21.6	21.9	18.1	83.0	123.8	188.0
Rooms	94.1	91.9	23.6	26.0	24.1	25.2	98.9	104.1	108.5
Others	25.0	21.1	6.2	7.4	7.2	6.6	27.4	45.9	68.9
Less: casino promotional allowances	(48.6)	(50.2)	(13.0)	(12.2)	(11.8)	(12.7)	(49.7)	(89.8)	(124.0)
Total Casino Revenue	306.2	303.7	83.0	82.6	83.5	81.3	330.4	482.9	693.4
Total Revenue	372.7	511.4	151.6	156.6	162.4	174.0	644.6	887.1	1,160.5
YoY % Change		37.2%	26.5%	21.1%	24.3%	32.2%	26.1%	37.6%	30.8%
EBITDA									
Social and mobile games	21.6	77.3	26.6	28.3	29.9	31.7	116.5	130.3	140.3
WSOP and online real money gaming	6.2	(1.1)	(6.0)	(8.2)	(0.1)	1.7	(12.6)	13.0	23.9
Interactive Entertainment EBITDA	27.8	76.2	20.6	20.1	29.8	33.3	103.8	143.4	164.2
Baltimore	0.0	0.0	0.0	0.0	0.0	0.0	0.0	44.5	102.0
Planet Hollywood	74.5	69.1	21.9	22.2	21.6	24.0	89.7	97.4	100.6
Casino Properties and Developments	74.5	69.1	21.9	22.2	21.6	24.0	89.7	141.8	202.6
Corporate Expense	(13.3)	(22.7)	(56.7)	(5.5)	(9.9)	(3.5)	(75.6)	(13.0)	(13.0)
EBITDA	89.0	122.6	(14.2)	36.8	41.5	53.9	118.0	272.2	353.8
EBITDA Margins	24%	24%	-9%	23%	26%	31%	18%	31%	30%
EBITDA YoY Growth		38%	-143%	34%	60%	49%	-4%	131%	30%
Depreciation and amortization	29.6	32.2	10.4	10.4	11.5	11.3	43.6	80.5	78.7
Interest expense, net of interest capitalized	(39.9)	(41.7)	(10.1)	(10.2)	(15.8)	(15.8)	(51.9)	(63.2)	(36.4)
Interest income-related party	123.7	145.1	40.6	42.5	44.9	17.0	145.0	68.1	59.0
Income before income taxes	143.2	193.8	5.9	58.7	59.1	43.8	167.5	85.4	101.3
Provision for income taxes	(50.7)	(66.4)	(1.7)	(17.4)	(18.5)	(15.3)	(52.9)	(29.9)	(35.5)
Effective Tax Rate	35.4%	34.3%	28.8%	29.6%	31.3%	35.0%	31.6%	35.0%	35.0%
Net income	92.5	127.4	4.2	41.3	40.6	28.4	114.5	55.5	65.8
Less: net income attributable to non-controlling interests	(8.0)	(0.6)	2.1	(1.0)	3.2	3.2	7.5	12.8	12.8
Net income attributable to Growth Partners	84.5	126.8	6.3	40.3	43.8	31.6	122.0	68.3	78.6
ADJUSTED SEGMENT EBITDA									
Interactive Entertainment	27.8	76.2	20.6	20.1	29.8	33.3	103.8	143.4	164.2
Casino Properties and Developments	74.5	69.1	21.9	22.2	13.6	24.0	81.7	141.8	202.6

Source: Credit Suisse; Company Information

CGP Summary Balance Sheet

(US\$m, except per share data)	2011	2012	1Q13	2Q13	3Q13	4Q13E	2013E	2014E	2015E
BALANCE SHEET									
ASSETS									
Current Assets									
Cash and cash equivalents	110.1	155.6	144.2	203.9	203.1	1,048.0	1,048.0	1,140.8	1,141.6
Short-term investments	8.0	7.5	2.8	5.0	5.0	5.0	5.0	5.0	5.0
Receivables, net of allowance for doubtful accounts	24.6	37.2	42.5	44.5	48.2	48.2	48.2	48.2	48.2
Interest receivable from related party	9.4	9.5	26.3	8.4	25.3	25.3	25.3	25.3	25.3
Prepayments and other current assets	7.7	9.1	7.8	8.4	12.0	12.0	12.0	12.0	12.0
Deferred tax assets	0.3	1.6	1.6	2.0	3.2	3.2	3.2	3.2	3.2
Restricted cash	9.8	4.4	7.5	8.5	31.8	31.8	31.8	31.8	31.8
Total Current Assets	169.9	224.9	232.7	280.7	328.6	1,173.5	1,173.5	1,266.3	1,267.1
Investments in notes from related party	537.5	790.6	906.6	848.3	897.3	897.3	897.3	897.3	509.5
Land, property and equipment, net	428.4	420.4	424.3	434.8	453.4	812.5	812.5	785.2	776.2
Goodwill	77.0	97.4	97.4	97.9	102.7	102.7	102.7	102.7	102.7
Intangible assets other than goodwill, net	147.1	176.7	173.1	176.5	172.2	172.2	172.2	172.2	172.2
Restricted cash	18.2	26.2	28.7	45.4	229.2	229.2	229.2	229.2	229.2
Deferred charges and other	2.8	2.7	3.1	3.3	29.0	29.0	29.0	29.0	29.0
Total Assets	1,380.9	1,738.9	1,865.9	1,886.9	2,212.4	3,416.4	3,416.4	3,481.9	3,085.9
LIABILITIES									
Current Liabilities									
Accounts payable	10.3	13.9	14.3	15.5	20.7	20.7	20.7	20.7	20.7
Payables to related parties	8.3	19.5	24.2	28.9	46.7	46.7	46.7	46.7	46.7
Accrued expenses	32.6	52.7	106.8	106.2	123.4	123.4	123.4	123.4	123.4
Foreign tax payable	5.1	10.9	6.4	6.4	5.9	5.9	5.9	5.9	5.9
CP of long-term debt to related party	28.7	7.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	85.0	104.0	151.7	157.0	196.7	196.7	196.7	196.7	196.7
Long-term debt	438.4	459.8	464.6	469.0	690.4	690.4	690.4	690.4	218.5
Long-term debt to related party	118.2	39.8	39.8	39.8	39.8	39.8	39.8	39.8	39.8
Convertible notes issued to related party	0.0	47.7	47.7	47.7	47.7	47.7	47.7	47.7	47.7
Deferred tax liabilities	70.5	146.3	173.5	146.8	149.1	149.1	149.1	149.1	149.1
Deferred credits and other	26.2	32.1	34.0	41.5	50.2	50.2	50.2	50.2	50.2
Total Liabilities	738.3	829.7	911.3	901.8	1,173.9	1,173.9	1,173.9	1,173.9	702.0
Redeemable non-controlling interests	1.1	1.3	1.2	4.7	4.4	4.4	4.4	4.4	4.4
EQUITY									
Net parent investment	628.1	777.0	764.6	813.3	856.2	2,029.3	2,029.3	2,029.3	2,029.3
Accumulated other comprehensive income	3.9	116.0	175.9	121.4	135.1	166.0	166.0	231.5	307.4
Total Growth Partners equity	632.0	893.0	940.5	934.7	991.3	2,195.3	2,195.3	2,260.8	2,336.7
Non-controlling interests	9.5	14.9	12.9	45.7	42.8	42.8	42.8	42.8	42.8
Total equity	641.5	907.9	953.4	980.4	1,034.1	2,238.1	2,238.1	2,303.6	2,379.5
Total liabilities and stockholders' equity	1,380.9	1,738.9	1,865.9	1,886.9	2,212.4	3,416.4	3,416.4	3,481.9	3,085.9

Source: Credit Suisse; Company Information

CGP Summary Cash Flow Statement

(US\$m, except per share data)	2011	2012	1Q13	2Q13	3Q13	4Q13E	2013E	2014E	2015E
CASH FLOW STATEMENT									
CASH FLOWS FROM OPERATING ACTIVITIES									
Net income	92.5	127.4	4.2	41.3	40.6	28.4	114.5	55.5	65.8
Adjustments to reconcile net income to cash flows from operations									
Depreciation and amortization	29.6	32.2	10.4	10.4	11.5	11.3	43.6	80.5	78.7
Amortization of debt discount	20.1	21.4	5.6	5.9	5.7	0.0	17.2	0.0	0.0
Change in fair value of contingent consideration	0.0	0.0	52.4	(3.5)	0.0	0.0	48.9	0.0	0.0
Loss on early extinguishment of debt	2.6	0.0	0.0	0.2	0.3	0.0	0.5	0.0	0.0
Accretion of discount on investments in notes from re	(56.2)	(77.2)	(23.8)	(25.4)	(27.8)	0.0	(77.0)	0.0	0.0
Paid-in-kind-interest	(0.3)	(0.4)	(0.1)	(0.1)	(0.1)	0.0	(0.3)	0.0	0.0
Stock-based compensation expense	10.9	11.4	2.5	7.9	1.8	2.5	14.7	10.0	10.0
Net change in deferred income taxes	18.1	14.3	(5.6)	2.7	(5.3)	0.0	(8.2)	0.0	0.0
Net change in long-term accounts	(2.3)	(2.2)	0.2	(0.4)	(5.2)	0.0	(5.4)	0.0	0.0
Net change in working capital accounts	(16.2)	21.6	(17.3)	20.4	(3.7)	0.0	(0.6)	0.0	0.0
Other non-cash items	(0.8)	(0.4)	0.1	(1.3)	0.5	0.0	(0.7)	0.0	0.0
Net cash provided by operating activities	98.0	148.1	28.6	58.1	18.3	42.3	147.3	146.0	154.5
CASH FLOWS FROM INVESTING ACTIVITIES									
Land, buildings and equipment additions, net of chan	(6.7)	(16.8)	(11.7)	(17.5)	(21.1)	(370.4)	(420.7)	(53.2)	(69.6)
Acquisition of intangibles	0.0	0.0	0.0	(1.7)	1.1	0.0	(0.6)	0.0	0.0
Acquisition of Horseshoe Baltimore gaming license a	(22.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of short-term investments	(8.0)	(7.5)	0.0	(5.0)	0.0	0.0	(5.0)	0.0	0.0
Sale of short-term investments	0.0	8.0	4.7	2.8	0.0	0.0	7.5	0.0	0.0
Purchase of investments in notes from related party	(2.5)	(3.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payments to acquire business, net of cash acquired	(19.0)	(52.7)	0.0	(3.0)	(4.2)	1,173.1	1,165.9	0.0	0.0
Proceeds received for land receivable	0.8	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in restricted cash	(11.4)	(2.6)	(5.6)	(17.7)	(207.1)	0.0	(230.4)	0.0	0.0
Net cash provided by investing activities	(69.5)	(74.6)	(12.6)	(42.1)	(231.3)	802.7	516.7	(53.2)	(69.6)
CASH FLOWS FROM FINANCING ACTIVITIES									
Issuance of Caesars Interactive's common stock	11.2	31.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Issuance of Caesars Interactive's common stock war	0.0	0.5	0.0	0.6	0.0	0.0	0.6	0.0	0.0
Purchase of additional interests in subsidiary	(78.4)	0.0	(2.7)	0.0	(7.2)	0.0	(9.9)	0.0	0.0
Resolution of contingent consideration for acquired bu	(10.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital contributions	23.5	10.4	0.0	73.3	0.0	0.0	73.3	0.0	0.0
Issuance of convertible notes to related party	0.0	47.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt issuance costs and fees	0.0	0.0	0.0	(10.8)	0.0	0.0	(10.8)	0.0	0.0
Proceeds on guarantee from parent	0.0	0.0	0.0	0.0	9.1	0.0	9.1	0.0	0.0
Proceeds from issuance of long-term debt	0.0	0.0	0.0	0.0	218.5	0.0	218.5	0.0	0.0
Proceeds from issuance of long-term debt to related p	146.9	42.0	0.0	0.0	0.0	0.0	0.0	0.0	387.8
Payments on long-term debt to related party	(20.5)	(142.1)	(7.0)	0.0	0.0	0.0	(7.0)	0.0	0.0
Repayments under lending agreements	(15.0)	(0.1)	(0.9)	(1.4)	(3.3)	0.0	(5.6)	0.0	(471.9)
Transfers (to)/from parent	(40.9)	(18.2)	(16.8)	(28.8)	5.9	0.0	(39.7)	0.0	0.0
Net cash provided by financing activities	16.8	(28.0)	(27.4)	43.7	212.2	0.0	228.5	0.0	(84.1)
Cash flows from discontinued ops									
Effect of deconsolidation of variable interest entities									
Increase (decrease) in cash and cash equivalents	45.3	45.5	(11.4)	59.7	(0.8)	844.9	892.4	92.8	0.8
Cash and cash equivalents at beginning of period	110.1	155.6	155.6	144.2	203.9	203.1	155.6	1,048.0	1,140.8
Balance, end of period	110.1	155.6	144.2	203.9	203.1	1,048.0	1,048.0	1,140.8	1,141.6

Source: Credit Suisse; Company Information

Executive Officers and Directors

Name	Position	Bio
Mitch Garber	CEO	Joined Caesars Entertainment as a consultant in late 2008 and helped create CIE in May 2009. Since 2009, Mr. Garber has served as CIE's CEO. From April 2006 to May 2008, Mr. Garber served as the CEO of PartyGaming plc (now bwin.party). In addition to his most recent role at PartyGaming, he served as CEO of Optional Payments Inc., and its predecessor, Terra Payments Inc.
Craig Abrahams	CFO	Has served as CIE's CFO since January 2011 and as SVP of CIE since May 2012. He served as a VP of CIE from May 2009 through January 2011. Mr. Abrahams also served as Director of Broadcasting and New Media for Caesars Entertainment from May 2006 through May 2009. Previous experience includes strategic planning and investment banking roles at The Walt Disney Company and Bear, Stearns & Co. Inc., respectively.
Karl Peterson	Director	Has served on the board of directors of Caesars Entertainment since January 2008. Mr. Peterson is a senior partner of TPG where he leads the firm's European business.
Marc Rowan	Director	Co-founded Apollo in 1990 and has been a Senior Managing Director of Apollo Global Management, LLC since 2007.
David Sambur	Director	Partner of Apollo (joined in 2004).

Source: Credit Suisse; Company Information

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Companies Mentioned (Price as of 06-Dec-2013)

Caesars Acquisition Company (CACQ.OQ, \$11.27, OUTPERFORM[V], TP \$13.0)
Caesars Entertainment Corp (CZR.OQ, \$19.21)
Las Vegas Sands Corp. (LVS.N, \$75.46)
MGM Resorts International (MGM.N, \$19.69)
Wynn Resorts (WYNN.OQ, \$171.41)
Zynga Inc (ZNGA.OQ, \$4.01)

Disclosure Appendix

Important Global Disclosures

I, Joel Simkins, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

The analyst(s) responsible for preparing this research report received Compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities

As of December 10, 2012 Analysts' stock rating are defined as follows:

Outperform (O) : The stock's total return is expected to outperform the relevant benchmark* over the next 12 months.

Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

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*Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; Australia, New Zealand are, and prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, 12-month rolling yield is incorporated in the absolute total return calculation and a 15% and a 7.5% threshold replace the -10-15% level in the Outperform and Underperform stock rating definitions, respectively. The 15% and 7.5% thresholds replace the +10-15% and -10-15% levels in the Neutral stock rating definition, respectively. Prior to 10th December 2012, Japanese ratings were based on a stock's total return relative to the average total return of the relevant country or regional benchmark.

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Analysts' sector weightings are distinct from analysts' stock ratings and are based on the analyst's expectations for the fundamentals and/or valuation of the sector* relative to the group's historic fundamentals and/or valuation.

Overweight : The analyst's expectation for the sector's fundamentals and/or valuation is favorable over the next 12 months.

Market Weight : The analyst's expectation for the sector's fundamentals and/or valuation is neutral over the next 12 months.

Underweight : The analyst's expectation for the sector's fundamentals and/or valuation is cautious over the next 12 months.

*An analyst's coverage sector consists of all companies covered by the analyst within the relevant sector. An analyst may cover multiple sectors.

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Rating	Versus universe (%)	Of which banking clients (%)
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Restricted	3%	

*For purposes of the NYSE and NASD ratings distribution disclosure requirements, our stock ratings of Outperform, Neutral, and Underperform most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.

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Price Target: (12 months) for Caesars Acquisition Company (CACQ.OQ)

Method: Our \$13 target price is based CACQ's 43% stake in CGP. We value CGP using a sum-of-the-parts methodology and our \$4.4bn equity valuation for CGP is based on 12x13x10x9x12x our 2015E Social, NJ Real Money Online, Planet Hollywood, Horseshoe Baltimore, and Management Fee EBITDA estimates.

Risk: Key Risks: (1) Uncertainty in online gaming; (2) highly competitive social gaming environment; (3) uncertainty in pursuit of bricks growth opportunities; (4) trading liquidity and complexity of story; (5) valuation of bond portfolio.

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Caesars Acquisition Company

(CACQ)

Rating	OUTPERFORM* [V]
Price (13 Dec 13, US\$)	11.78
Target price (US\$)	13.00 ¹
52-week price range	12.16 - 10.61
Market cap. (US\$ m)	1,612.45
Enterprise value (US\$ m)	1,612.45

*Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.

¹Target price is for 12 months.

[V] = Stock considered volatile (see Disclosure Appendix).

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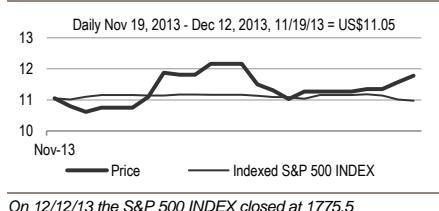
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INITIATION

Let It Grow; Initiating at Outperform and \$13 Target Price

For full details of this launch, please see our PowerPoint slide presentation, titled, CACQ—[Let It Grow: Initiating at Outperform](#).

- **Initiating at Outperform:** We initiate coverage of CACQ with an Outperform rating and \$13 target price. CACQ was formed to make an equity investment in Caesars Growth Partners (CGP), which was recently spun out from Caesars Entertainment (CZR). Because CACQ's only material asset is its interest in CGP, we value CACQ based on its 43% stake in CGP.
- **Brick-and-Mortar Assets with Upside from Online:** CACQ's land-based assets include a 100% stake in Planet Hollywood (Las Vegas Strip) and a 41% stake in Horseshoe Baltimore (under development; JV with Rock Gaming). Additionally, CGP will own a 76% stake in Caesars Interactive Entertainment, (CIE), which includes social and mobile games, the World Series of Poker, and the real money online gaming businesses.
- **Key Risks:** (1) pace of U.S. online gaming ramp; (2) competitive social gaming business; (3) uncertainty in pursuit of land-based growth opportunities; (4) trading liquidity and complexity of the story; and (5) valuation of bond portfolio.
- **Valuation:** We value CGP using a sum-of-the-parts methodology, and our \$4.4bn equity valuation for CGP is based on multiples of 12, 13, 10, 9, and 12 on our 2015E Social, New Jersey Real Money Online, Planet Hollywood, Horseshoe Baltimore, and Management Fee EBITDA estimates, respectively.

Share price performance

Financial and valuation metrics

Year	12/12A	12/13E	12/14E	12/15E
EPS (CS adj.) (US\$)	—	0.09	0.19	0.22
Prev. EPS (US\$)	—	—	—	—
P/E (x)	—	130.8	61.0	52.7
P/E rel. (%)	—	799.3	411.5	393.6
Revenue (US\$ m)	—	—	—	—
EBITDA (US\$ m)	—	—	—	—
OCFPS (US\$)	—	0.09	0.19	0.22
P/OCF (x)	—	130.8	61.0	52.7
EV/EBITDA (current)	—	—	—	—
Net debt (US\$ m)	—	—	—	—
ROIC (%)	—	—	—	—
Number of shares (m)	136.88	IC (12/12A, US\$ m)	—	—
BV/share (Next Qtr., US\$)	8.7	EV/IC (x)	—	1.4
Net debt (Next Qtr., US\$ m)	—	Dividend (current, US\$)	—	—
Net debt/tot cap (Next Qtr., %)	—	Dividend yield (%)	—	—

Source: Company data, Credit Suisse estimates.

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Valuation

Our \$13 target price is based on CACQ's 43% stake in CGP.

We value CGP using a sum-of-the-parts methodology, and our \$4.4bn equity valuation (YE2015) for CGP is based on multiples of 12x, 13x, 10x, 9x, and 12x on our 2015E Social, New Jersey Real Money Online, Planet Hollywood, Horseshoe Baltimore, and Management Fee EBITDA estimates, respectively.

While there are limited historical comparables for pure-play social gaming and real money online gaming, we have looked at a range of multiples for valuation purposes and value CGP's social EBITDA at 12.0x and real money online EBITDA at 13.0x. While long-run averages for European online real money gaming may be closer to the 10.0x-12.0x range (Betfair has traded historically at 11.5x, bwin.party at 9.5x), we believe CGP's real money business deserves a premium multiple as it is one of the best and only pure-play ways to play the growing US real money online gaming market. Additionally, the US market should experience dynamic growth versus the more mature European market.

We value social gaming EBITDA at a 12.0x multiple mainly attributable to Caesar's strong social customer database, evergreen casino content, mobile penetration and premium social gaming assets and brands (WSOP brand, Playtika, Buffalo Studios). We believe ZNGA is a difficult direct comparable given the businesses different cost structures (CGP overseas development in Israel and Ukraine), the erosion of ZNGA's userbase and ZNGA's recent management restructuring.

We value Planet Hollywood and Horseshoe Baltimore using 10.0x and 9.0x multiples, respectively, which are in-line with multiples for other Las Vegas casino properties and regional developments (we value MGM's Las Vegas properties at 10.5x, LVS's at 11.0x and WYNN's at 10.0x).

Exhibit 1: Target Price Calculation

CGP Valuation - (US\$m, except per share data)		Value Attributed to Caesars Acquisition Corp (CACQ)	
2015E Social EBITDA	140	CGP Equity Value, One Year From Today	3,949
EBITDA Multiple	12.0x	CACQ Share of CGP	43%
CGP Ownership	76%	Equals: Equity Value of CACQ	1,698
Equals: Social Enterprise Value	1,280	Diluted Shares Outstanding	136
2015E NJ Real Money Online EBITDA	24	Equals: Target Price, One Year from Today	\$13
EBITDA Multiple	13.0x		
CGP Ownership	76%		
Equals: NJ Real Money Enterprise Value	236		
2015E Planet Hollywood EBITDA	92		
EBITDA Multiple	10.0x		
Equals: Planet Hollywood Enterprise Value	923		
2015E Baltimore EBITDA (41% ownership)	95		
EBITDA Multiple	9.0x		
CGP Ownership	41%		
Equals: Planet Hollywood Enterprise Value	352		
2015E 50% of Management Fees (PH and Baltimore	15		
EBITDA Multiple	12.0x		
Equals: Mgmt Fee Enterprise Value	180		
2015E Corporate Expense	(13)		
EBITDA Multiple	10.8x		
Equals: Corporate Expense Value	(140)		
Plus: Value of OpCo Bonds (YE2015)	510		
Less: Net Debt (YE2015)	(1,022)		
Equals: Equity Value	4,361		
Discount Rate	10.0%		
Discount Timeframe	1.0		
Equals: Equity Value, One Year From Today	3,949		

Source: Company data, Credit Suisse estimates.

Key Risks

- Many uncertainties in online gaming – While there may be a limited number of initial participants in New Jersey and other states, it will be competitive
 - As Europe demonstrated, upstarts can beat the incumbents (ex: 888 and Poker Stars)
 - Domino states like California, Illinois, Pennsylvania, New York, Florida and others with attractive scale and demographics could be years away
- Social gaming is highly competitive
 - Low barriers to entry and many strong competitors (ex: IGT/SGMS and independent content developers)
 - The recipe for player monetization is still being defined, while customer retention can be costly
 - Social casinos compete with other casual gaming options (ex: King.com, Candy Crush Saga)
- Many uncertainties in pursuit of bricks growth opportunities
 - CGP has an obligation to give a right of first refusal for any development opportunities to CZR, but CZR has no obligation to give any development opportunities to Growth Partners
 - CZR may keep all potential development opportunities for itself
 - CGP will compete with other public gaming companies (domestic and international) for scarce opportunities
 - Massachusetts experience highlights potential regulatory challenges even for experienced bidders
- Other risks and concerns
 - Initial trading liquidity could be limited
 - Complexity of the CACQ story may lead to a niche investor base and following
 - Delays in construction of Horseshoe Baltimore
 - Maturation and valuation of bond portfolio

Financials

We believe that the financial statements of CGP itself are more relevant to investors than the statements of CACQ, as CGP presents the underlying operations of the business.

Exhibit 2: CGP Income Statement

(US\$m, except per share data)	2011	2012	1Q13	2Q13	3Q13	4Q13E	2013E	2014E	2015E
INCOME STATEMENT									
REVENUES									
Interactive Entertainment									
Social and mobile games	53.9	193.3	66.6	70.7	74.7	79.2	291.2	325.8	350.8
WSOP and online real money gaming	12.6	14.4	2.0	3.3	4.2	13.5	23.0	78.5	116.3
Total Interactive Revenue	66.5	207.7	68.6	74.0	78.9	92.7	314.2	404.3	467.1
Casino Properties and Developments									
Casino Properties and Developments	167.3	171.2	44.8	39.8	42.1	44.2	170.9	298.9	452.0
Food and beverage	68.4	69.7	21.4	21.6	21.9	18.1	83.0	123.8	188.0
Rooms	94.1	91.9	23.6	26.0	24.1	25.2	98.9	104.1	108.5
Others	25.0	21.1	6.2	7.4	7.2	6.6	27.4	45.9	68.9
Less: casino promotional allowances	(48.6)	(50.2)	(13.0)	(12.2)	(11.8)	(12.7)	(49.7)	(89.8)	(124.0)
Total Casino Revenue	306.2	303.7	83.0	82.6	83.5	81.3	330.4	482.9	693.4
Total Revenue	372.7	511.4	151.6	156.6	162.4	174.0	644.6	887.1	1,160.5
YoY % Change			37.2%	26.5%	21.1%	24.3%	32.2%	26.1%	37.6%
EBITDA									
Social and mobile games	21.6	77.3	26.6	28.3	29.9	31.7	116.5	130.3	140.3
WSOP and online real money gaming	6.2	(1.1)	(6.0)	(8.2)	(0.1)	1.7	(12.6)	13.0	23.9
Interactive Entertainment EBITDA	27.8	76.2	20.6	20.1	29.8	33.3	103.8	143.4	164.2
Baltimore	0.0	0.0	0.0	0.0	0.0	0.0	0.0	44.5	102.0
Planet Hollywood	74.5	69.1	21.9	22.2	21.6	24.0	89.7	97.4	100.6
Casino Properties and Developments	74.5	69.1	21.9	22.2	21.6	24.0	89.7	141.8	202.6
Corporate Expense	(13.3)	(22.7)	(56.7)	(5.5)	(9.9)	(3.5)	(75.6)	(13.0)	(13.0)
EBITDA	89.0	122.6	(14.2)	36.8	41.5	53.9	118.0	272.2	353.8
EBITDA Margins	24%	24%	-9%	23%	26%	31%	18%	31%	30%
EBITDA YoY Growth			38%	-143%	34%	60%	49%	-4%	131%
Depreciation and amortization	29.6	32.2	10.4	10.4	11.5	11.3	43.6	80.5	78.7
Interest expense, net of interest capitalized	(39.9)	(41.7)	(10.1)	(10.2)	(15.8)	(15.8)	(51.9)	(63.2)	(36.4)
Interest income-related party	123.7	145.1	40.6	42.5	44.9	17.0	145.0	68.1	59.0
Income before income taxes	143.2	193.8	5.9	58.7	59.1	43.8	167.5	85.4	101.3
Provision for income taxes	(50.7)	(66.4)	(1.7)	(17.4)	(18.5)	(15.3)	(52.9)	(29.9)	(35.5)
Effective Tax Rate	35.4%	34.3%	28.8%	29.6%	31.3%	35.0%	31.6%	35.0%	35.0%
Net income	92.5	127.4	4.2	41.3	40.6	28.4	114.5	55.5	65.8
Less: net income attributable to non-controlling interests	(8.0)	(0.6)	2.1	(1.0)	3.2	3.2	7.5	12.8	12.8
Net income attributable to Growth Partners	84.5	126.8	6.3	40.3	43.8	31.6	122.0	68.3	78.6
ADJUSTED SEGMENT EBITDA									
Interactive Entertainment	27.8	76.2	20.6	20.1	29.8	33.3	103.8	143.4	164.2
Casino Properties and Developments	74.5	69.1	21.9	22.2	13.6	24.0	81.7	141.8	202.6

Source: Company data, Credit Suisse estimates.

Exhibit 3: CGP Balance Sheet

(US\$m, except per share data)	2011	2012	1Q13	2Q13	3Q13	4Q13E	2013E	2014E	2015E
BALANCE SHEET									
ASSETS									
Current Assets									
Cash and cash equivalents	110.1	155.6	144.2	203.9	203.1	1,048.0	1,048.0	1,140.8	1,141.6
Short-term investments	8.0	7.5	2.8	5.0	5.0	5.0	5.0	5.0	5.0
Receivables, net of allowance for doubtful accounts	24.6	37.2	42.5	44.5	48.2	48.2	48.2	48.2	48.2
Interest receivable from related party	9.4	9.5	26.3	8.4	25.3	25.3	25.3	25.3	25.3
Prepayments and other current assets	7.7	9.1	7.8	8.4	12.0	12.0	12.0	12.0	12.0
Deferred tax assets	0.3	1.6	1.6	2.0	3.2	3.2	3.2	3.2	3.2
Restricted cash	9.8	4.4	7.5	8.5	31.8	31.8	31.8	31.8	31.8
Total Current Assets	169.9	224.9	232.7	280.7	328.6	1,173.5	1,173.5	1,266.3	1,267.1
Investments in notes from related party	537.5	790.6	906.6	848.3	897.3	897.3	897.3	897.3	509.5
Land, property and equipment, net	428.4	420.4	424.3	434.8	453.4	812.5	812.5	785.2	776.2
Goodwill	77.0	97.4	97.4	97.9	102.7	102.7	102.7	102.7	102.7
Intangible assets other than goodwill, net	147.1	176.7	173.1	176.5	172.2	172.2	172.2	172.2	172.2
Restricted cash	18.2	26.2	28.7	45.4	229.2	229.2	229.2	229.2	229.2
Deferred charges and other	2.8	2.7	3.1	3.3	29.0	29.0	29.0	29.0	29.0
Total Assets	1,380.9	1,738.9	1,865.9	1,886.9	2,212.4	3,416.4	3,416.4	3,481.9	3,085.9
LIABILITIES									
Current Liabilities									
Accounts payable	10.3	13.9	14.3	15.5	20.7	20.7	20.7	20.7	20.7
Payables to related parties	8.3	19.5	24.2	28.9	46.7	46.7	46.7	46.7	46.7
Accrued expenses	32.6	52.7	106.8	106.2	123.4	123.4	123.4	123.4	123.4
Foreign tax payable	5.1	10.9	6.4	6.4	5.9	5.9	5.9	5.9	5.9
CP of long-term debt to related party	28.7	7.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	85.0	104.0	151.7	157.0	196.7	196.7	196.7	196.7	196.7
Long-term debt	438.4	459.8	464.6	469.0	690.4	690.4	690.4	690.4	218.5
Long-term debt to related party	118.2	39.8	39.8	39.8	39.8	39.8	39.8	39.8	39.8
Convertible notes issued to related party	0.0	47.7	47.7	47.7	47.7	47.7	47.7	47.7	47.7
Deferred tax liabilities	70.5	146.3	173.5	146.8	149.1	149.1	149.1	149.1	149.1
Deferred credits and other	26.2	32.1	34.0	41.5	50.2	50.2	50.2	50.2	50.2
Total Liabilities	738.3	829.7	911.3	901.8	1,173.9	1,173.9	1,173.9	1,173.9	702.0
Redeemable non-controlling interests	1.1	1.3	1.2	4.7	4.4	4.4	4.4	4.4	4.4
EQUITY									
Net parent investment	628.1	777.0	764.6	813.3	856.2	2,029.3	2,029.3	2,029.3	2,029.3
Accumulated other comprehensive income	3.9	116.0	175.9	121.4	135.1	166.0	166.0	231.5	307.4
Total Growth Partners equity	632.0	893.0	940.5	934.7	991.3	2,195.3	2,195.3	2,260.8	2,336.7
Non-controlling interests	9.5	14.9	12.9	45.7	42.8	42.8	42.8	42.8	42.8
Total equity	641.5	907.9	953.4	980.4	1,034.1	2,238.1	2,238.1	2,303.6	2,379.5
Total liabilities and stockholders' equity	1,380.9	1,738.9	1,865.9	1,886.9	2,212.4	3,416.4	3,416.4	3,481.9	3,085.9

Source: Company data, Credit Suisse estimates.

Exhibit 4: CGP Cash Flow Statement

(US\$m, except per share data)	2011	2012	1Q13	2Q13	3Q13	4Q13E	2013E	2014E	2015E
CASH FLOW STATEMENT									
CASH FLOWS FROM OPERATING ACTIVITIES									
Net income	92.5	127.4	4.2	41.3	40.6	28.4	114.5	55.5	65.8
Adjustments to reconcile net income to cash flows from operations									
Depreciation and amortization	29.6	32.2	10.4	10.4	11.5	11.3	43.6	80.5	78.7
Amortization of debt discount	20.1	21.4	5.6	5.9	5.7	0.0	17.2	0.0	0.0
Change in fair value of contingent consideration	0.0	0.0	52.4	(3.5)	0.0	0.0	48.9	0.0	0.0
Loss on early extinguishment of debt	2.6	0.0	0.0	0.2	0.3	0.0	0.5	0.0	0.0
Accretion of discount on investments in notes from related parties	(56.2)	(77.2)	(23.8)	(25.4)	(27.8)	0.0	(77.0)	0.0	0.0
Paid-in-kind-interest	(0.3)	(0.4)	(0.1)	(0.1)	(0.1)	0.0	(0.3)	0.0	0.0
Stock-based compensation expense	10.9	11.4	2.5	7.9	1.8	2.5	14.7	10.0	10.0
Net change in deferred income taxes	18.1	14.3	(5.6)	2.7	(5.3)	0.0	(8.2)	0.0	0.0
Net change in long-term accounts	(2.3)	(2.2)	0.2	(0.4)	(5.2)	0.0	(5.4)	0.0	0.0
Net change in working capital accounts	(16.2)	21.6	(17.3)	20.4	(3.7)	0.0	(0.6)	0.0	0.0
Other non-cash items	(0.8)	(0.4)	0.1	(1.3)	0.5	0.0	(0.7)	0.0	0.0
Net cash provided by operating activities	98.0	148.1	28.6	58.1	18.3	42.3	147.3	146.0	154.5
CASH FLOWS FROM INVESTING ACTIVITIES									
Land, buildings and equipment additions, net of changes in depreciation	(6.7)	(16.8)	(11.7)	(17.5)	(21.1)	(370.4)	(420.7)	(53.2)	(69.6)
Acquisition of intangibles	0.0	0.0	0.0	(1.7)	1.1	0.0	(0.6)	0.0	0.0
Acquisition of Horseshoe Baltimore gaming license and related assets	(22.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of short-term investments	(8.0)	(7.5)	0.0	(5.0)	0.0	0.0	(5.0)	0.0	0.0
Sale of short-term investments	0.0	8.0	4.7	2.8	0.0	0.0	7.5	0.0	0.0
Purchase of investments in notes from related party	(2.5)	(3.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payments to acquire business, net of cash acquired	(19.0)	(52.7)	0.0	(3.0)	(4.2)	1,173.1	1,165.9	0.0	0.0
Proceeds received for land receivable	0.8	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in restricted cash	(11.4)	(2.6)	(5.6)	(17.7)	(207.1)	0.0	(230.4)	0.0	0.0
Net cash provided by investing activities	(69.5)	(74.6)	(12.6)	(42.1)	(231.3)	802.7	516.7	(53.2)	(69.6)
CASH FLOWS FROM FINANCING ACTIVITIES									
Issuance of Caesars Interactive's common stock	11.2	31.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Issuance of Caesars Interactive's common stock warrants	0.0	0.5	0.0	0.6	0.0	0.0	0.6	0.0	0.0
Purchase of additional interests in subsidiary	(78.4)	0.0	(2.7)	0.0	(7.2)	0.0	(9.9)	0.0	0.0
Resolution of contingent consideration for acquired businesses	(10.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital contributions	23.5	10.4	0.0	73.3	0.0	0.0	73.3	0.0	0.0
Issuance of convertible notes to related party	0.0	47.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt issuance costs and fees		0.0	0.0	0.0	(10.8)	0.0	(10.8)	0.0	0.0
Proceeds on guarantee from parent		0.0	0.0	0.0	9.1	0.0	9.1	0.0	0.0
Proceeds from issuance of long-term debt		0.0	0.0	0.0	218.5	0.0	218.5	0.0	0.0
Proceeds from issuance of long-term debt to related parties	146.9	42.0	0.0	0.0	0.0	0.0	0.0	0.0	387.8
Payments on long-term debt to related party	(20.5)	(142.1)	(7.0)	0.0	0.0	0.0	(7.0)	0.0	0.0
Repayments under lending agreements	(15.0)	(0.1)	(0.9)	(1.4)	(3.3)	0.0	(5.6)	0.0	(471.9)
Transfers (to)/from parent	(40.9)	(18.2)	(16.8)	(28.8)	5.9	0.0	(39.7)	0.0	0.0
Net cash provided by financing activities	16.8	(28.0)	(27.4)	43.7	212.2	0.0	228.5	0.0	(84.1)
Cash flows from discontinued ops									
Effect of deconsolidation of variable interest entities									
Increase (decrease) in cash and cash equivalents	45.3	45.5	(11.4)	59.7	(0.8)	844.9	892.4	92.8	0.8
Cash and cash equivalents at beginning of period	110.1	110.1	155.6	144.2	203.9	203.1	155.6	1,048.0	1,140.8
Balance, end of period	110.1	155.6	144.2	203.9	203.1	1,048.0	1,048.0	1,140.8	1,141.6

Source: Company data, Credit Suisse estimates.



Companies Mentioned (Price as of 13-Dec-2013)

Caesars Acquisition Company (CACQ.OQ, \$11.78, OUTPERFORM[V], TP \$13.0)
Caesars Entertainment Corp (CZR.OQ, \$20.02)
Las Vegas Sands Corp. (LVS.N, \$76.18)
MGM Resorts International (MGM.N, \$20.83)
Wynn Resorts (WYNN.OQ, \$179.49)
Zynga Inc (ZNGA.OQ, \$4.14)

Disclosure Appendix

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Method: Our \$13 target price is based CACQ's 43% stake in CGP. We value CGP using a sum-of-the-parts methodology and our \$4.4bn equity valuation for CGP is based on 12x/13x/10x/9x/12x our 2015E Social, NJ Real Money Online, Planet Hollywood, Horseshoe Baltimore, and Management Fee EBITDA estimates, respectively.

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Caesars Acquisition Corporation (CACQ)

Equity Research

February 12, 2014

Adam Krejcek, 714-769-9156

akrejcik@eilersresearch.com

CACQ: Company Update

Rating: Neutral

PT: \$12.00

Stock Data	
Stock Price	\$11.03
52 Week Low - High	\$10.34-\$12.42
Shares Out (mil)	135.8
Market Cap (mil)	\$1,498
3-Mo. Avg. Vol	1,517,230
Cash (mil)	\$1,036.3
Debt (mil)	\$777.9

Revenue (\$ millions)				
FY Dec	2012A	2013	2014	
1Q	\$119.8	\$151.6	NA	\$183.6E
2Q	\$127.3	\$156.6	NA	\$190.5E
3Q	\$130.7	\$162.4	NA	\$236.8E
4Q	\$133.6	\$169.4E	NA	\$284.2E
Year	\$511.4	\$640.0E	NA	\$895.1E

EPS (\$)				
FY Dec	2012A	2013	2014	
1Q	\$0.23	\$0.03	NA	\$0.14E
2Q	\$0.19	\$0.31	NA	\$0.17E
3Q	\$0.22	\$0.30	NA	\$0.18E
4Q	\$0.29	\$0.23E	NA	\$0.25E
Year	\$0.94	\$0.87E	NA	\$0.75E
P/E	NA	NA	NA	n/a

Note: Cash & debt pro-forma (post rights offering). Bookings & EPS are Non-GAAP & adj. for non-recurring items. Please see attached model for details



Source: ThomsonOne

Caesars Interactive Set to Acquire Social Casino Game Company

According to industry trade publication Social Casino Intelligence, Caesars Interactive Entertainment (subsidiary of Caesars Growth Partners) is finalizing plans to acquire Pacific Interactive. While neither confirmation nor terms of the deal have been made public yet, we expect an official statement and details to emerge in the next few days. We provide our initial takeaways below:

- Pacific Interactive is a private social casino game company, well known for its *House of Fun - Slots* app, which is available on Facebook and mobile. The Company is managed by a team of experienced gaming industry pioneers, including former IGT and WMS content specialists.
- According to our latest "Social Casino Tracker – 4Q13" Pacific Interactive ranked #9 in terms of largest publishers on Facebook, generating and estimated \$7.7 million in gross revenues in 4Q13 and #12 on mobile, generating an estimated \$3.1 million in gross revenues.
- For CY13, we estimate Pacific Interactive generated gross revenues between \$25-\$35 million, generating roughly 75% from Facebook and 25% on mobile (iOS and Google Playstore).
- Caesars Interactive Entertainment (CIE) previously acquired Playtika in December 2011 for \$103 million (deal that translated into 0.5x EV/Sales) and Buffalo Studios in December 2012 for \$45 million (translated into 0.9x EV/Sales). We believe Caesars acquired both companies at attractive multiples, in fact, its acquisition of Playtika (we est. fair market value near \$1 billion now) has turned out to be one of the best M&A deals we have seen in the past 5-years.
- We believe CIE likely had to pay more than 1x EV/Sales for Pacific Interactive, as M&A multiples have been expanding in recent years (IGT paid roughly 4x EV/Sales for DoubleDown, and Zynga recently paid ~6x fwd Sales for Natural Motion). Therefore, we would not be surprised if the deal price is closer to \$60-\$90 million+ range or roughly 2-3x EV/Sales.
- We estimate Caesars Growth Partners pro-forma cash position (post Rights Offering) at \$1.2 billion and expect any deal was likely an all cash offer.
- The acquisition of Pacific Interactive would further strengthen CIE's dominant position in the social casino game category. For CY13, we estimate CIE generated total social casino game revenues of \$290 million (+50% y/y) making it the largest social casino game publisher worldwide with an est. ~15% market share.
- As we suggested in our "Social Casino Gaming: M&A Outlook for CY14" report we expect a record number of deals this year as the sector is ripe for consolidation. We also believe this deal puts the onus on other leading social casino game publishers such as IGT/DoubleDown, Zynga, William Interactive (owned by SciGames), and Game Show Network to further evaluate M&A opportunities.

We maintain our Neutral rating and \$12 price-target on shares of CACQ – valuation call. We expect further details about this transaction to emerge in the coming days and when Caesars Entertainment reports its 4Q13 results (date TBD).

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Caesars Growth Partners																		
Digital & Interactive Gaming																		
Income Statement		FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13	2Q13	3Q13	4Q13E	FY13E	1Q14E	2Q14E	3Q14E	4Q14E	FY14E	FY15E
USD \$ in millions																		
Income Statement																		
<i>Interactive Entertainment</i>																		
Social & mobile games	53.9	41.3	49.5	51.7	50.8	193.3	66.6	70.7	74.7	78.0	290.0	81.0	84.4	88.0	91.8	345.1	400.6	
WSOP & online real money gaming	12.6	2.0	2.0	4.9	5.5	14.4	2.0	3.3	4.2	6.6	16.1	17.4	21.8	25.3	29.6	94.1	167.5	
Total interactive revenue	66.5	43.3	51.5	56.6	56.3	207.7	68.6	74.0	78.9	84.6	306.1	98.4	106.1	113.3	121.4	439.2	568.8	
<i>Casino Properties & Development</i>																		
Casino	167.3	42.5	42.0	42.0	44.7	171.2	44.8	39.8	42.1	44.7	171.4	44.8	39.8	81.9	124.3	290.8	569.3	
Food & beverage	68.4	18.1	16.7	17.5	17.4	69.7	21.4	21.6	21.9	21.2	86.1	22.0	22.2	25.7	28.3	98.3	121.0	
Rooms	94.1	23.5	23.7	22.4	22.3	91.9	23.6	26.0	24.1	23.9	97.6	24.3	26.8	24.8	24.6	100.5	102.8	
Other	25.0	4.4	5.3	4.8	6.6	21.1	6.2	7.4	7.2	7.7	28.5	6.8	8.1	9.5	10.0	34.5	39.3	
Less: casino promotional allowances	(48.6)	(12.0)	(11.9)	(12.6)	(13.7)	(50.2)	(13.0)	(12.2)	(11.8)	(12.7)	(49.7)	(12.7)	(12.6)	(18.5)	(24.3)	(68.1)	(108.1)	
Total casino property allowances	306.2	76.5	75.8	74.1	77.3	303.7	83.0	82.6	83.5	84.8	333.9	85.2	84.4	123.5	162.8	455.9	723.5	
Net Revenue	372.7	119.8	127.3	130.7	133.6	511.4	151.6	156.6	162.4	169.4	640.0	183.6	190.5	236.8	284.2	895.1	1,292.4	
<i>Operating Expenses</i>																		
<i>Interactive entertainment - direct</i>																		
Platform fees (social)	16.3	13.6	16.1	16.6	16.3	62.6	21.1	22.0	23.3	24.3	90.7	25.3	26.3	27.4	28.6	107.7	125.0	
Platform fees (iGaming)												2.0	2.0	5.2	6.5	7.6	8.9	
<i>Properties & Development- direct</i>																		
Casino	76.9	19.2	19.3	20.2	20.5	79.2	19.2	16.7	18.7	18.7	73.3	19.7	17.1	29.6	37.5	103.9	154.7	
Food & beverage	32.1	8.1	8.4	8.4	8.3	33.2	10.1	10.4	11.3	11.9	43.7	10.4	10.6	17.3	21.2	59.5	86.5	
Rooms	27.6	7.0	7.0	6.8	5.9	26.7	6.4	6.7	6.8	7.2	27.1	6.6	6.8	11.1	13.8	38.4	57.5	
Property, general, administrative, and other	128.3	39.4	51.5	50.8	47.3	189.0	56.8	67.4	60.5	72.8	257.5	73.5	74.3	90.0	105.2	342.9	516.3	
Depreciation & amortization	29.6	8.1	8.0	8.1	8.0	32.2	10.4	10.4	11.5	11.7	44.0	11.9	12.0	14.2	16.5	54.6	75.0	
Change in fair value contingent consideration	-	-	-	-	-	-	52.4	(3.5)	-	-	48.9	-	-	-	-	-	-	
Total operating expenses:	310.8	95.4	110.3	110.9	106.3	422.9	176.4	130.1	132.1	148.6	587.2	152.5	153.7	197.3	231.6	735.1	1,066.7	
Operating Income	61.9	24.4	17.0	19.8	27.3	88.5	(24.8)	26.5	30.3	20.7	52.7	31.1	36.8	39.5	52.6	160.1	225.6	
Interest expense, net of interest capitalized	(39.9)	(11.3)	(10.6)	(10.0)	(9.8)	(41.7)	(10.1)	(10.2)	(15.8)	(20.0)	(56.1)	(20.0)	(20.0)	(20.0)	(20.0)	(80.1)	(80.1)	
Income from equity method investment in Growth	(2.6)																	
Interest income - related party	123.7	34.0	35.4	37.0	38.7	145.1	40.6	42.5	44.9	44.9	172.9	17.0	17.0	17.0	17.0	68.0	56.0	
Other income, net	0.1	0.4	0.5	0.6	0.4	1.9	0.2	0.1	(0.3)	-	-	-	-	-	-	-	-	
Income before taxes	143.2	47.5	42.3	47.4	56.6	193.8	5.9	58.9	59.1	45.6	169.5	28.1	33.8	36.5	49.6	148.0	201.5	
Provision for income taxes	(50.7)	(15.8)	(16.0)	(17.2)	(17.4)	(66.4)	(1.7)	(17.4)	(18.5)	(14.3)	(51.9)	(8.8)	(10.6)	(11.4)	(15.5)	(46.3)	(63.3)	
Net income (loss)	92.5	31.7	26.3	30.2	39.2	127.4	4.2	41.5	40.6	31.3	117.6	19.3	23.2	25.1	34.1	101.7	138.5	
Non controlling income	(8.0)	(0.4)	(0.3)	(0.7)	0.8	(0.6)	2.1	(1.0)	3.2	-	4.3	(2.0)	(4.0)	(6.0)	(6.0)	(26.0)	(26.0)	
Net income attributable to Growth Partners	84.5	31.3	26.0	29.5	40.0	126.8	6.3	40.5	43.8	31.3	121.9	19.3	23.2	23.1	30.1	95.7	112.5	
<i>Earnings per share</i>																		
- Basic	\$ 0.68	\$ 0.23	\$ 0.19	\$ 0.22	\$ 0.29	\$ 0.94	\$ 0.03	\$ 0.31	\$ 0.30	\$ 0.23	\$ 0.87	\$ 0.14	\$ 0.17	\$ 0.18	\$ 0.25	\$ 0.75	\$ 1.02	
- Diluted	\$ 0.68	\$ 0.23	\$ 0.19	\$ 0.22	\$ 0.29	\$ 0.94	\$ 0.03	\$ 0.31	\$ 0.30	\$ 0.23	\$ 0.87	\$ 0.14	\$ 0.17	\$ 0.18	\$ 0.25	\$ 0.75	\$ 1.02	
Weighted average shares outstanding																		
- Basic	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	
- Diluted	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	
Adjusted EBITDA																		
Interactive Entertainment	27.8	16.8	17.5	22.7	19.2	76.2	20.6	20.1	29.8									
Properties and Development	74.5	18.4	15.8	13.2	20.8	69.1	21.9	22.2	13.6									
Total	102.3	35.2	33.3	35.9	40.0	145.3	42.5	42.3	43.4	32.4	160.6	43.0	48.8	53.7	69.1	214.7	300.0	
Earnings analysis	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13	2Q13	3Q13	4Q13E	FY13E	1Q14E	2Q14E	3Q14E	4Q14E	FY14E	FY15E	
EBITDA Margin analysis																		
Interactive Entertainment	41.8%	38.8%	34.0%	40.1%	34.1%	36.7%	30.0%	27.2%	37.8%									
Properties and Development	24.3%	24.1%	20.8%	17.8%	26.9%	22.8%	26.4%	26.9%	16.3%									
Total Adjusted EBITDA Margin	27.4%	29.4%	26.2%	27.5%	29.9%	28.4%	28.0%	27.0%	26.7%	19.1%	25.1%	23.4%	25.6%	22.7%	24.3%	24.0%	23.3%	
Growth analysis (y/y)																		
Social & mobile games																		
WSOP & online real money gaming																		
Total interactive revenue																		
Casino																		
Food & beverage																		
Rooms																		
Other																		
Total casino property revenue																		
Net Revenue																		
	37.2%	26.5%	23.0%	24.3%	26.8%	25.1%	21.1%	21.7%	45.8%	67.8%	39.9%	44.4%	45.8%	47.8%	49.8%	51.8%	53.8%	



Caesars Acquisition Corporation (CACQ)

Equity Research

March 3, 2014

Adam Krejcek, 714-769-9156

akrejcik@eilersresearch.com

CACQ: Company Update

Rating: Neutral

PT: \$12.00

Stock Data	
Stock Price	\$11.03
52 Week Low - High	\$10.34-\$12.42
Shares Out (mil)	135.8
Market Cap (mil)	\$1,498
3-Mo. Avg. Vol	1,517,230
Cash (mil)	\$1,036.3
Debt (mil)	\$777.9

Revenue (\$ millions)				
FY Dec	2012A	2013	2014	
1Q	\$119.8	\$151.6	NA	\$183.6E
2Q	\$127.3	\$156.6	NA	\$190.5E
3Q	\$130.7	\$162.4	NA	\$236.8E
4Q	\$133.6	\$169.4E	NA	\$284.2E
Year	\$511.4	\$640.0E	NA	\$895.1E

EPS (\$)				
FY Dec	2012A	2013	2014	
1Q	\$0.23	\$0.03	NA	\$0.14E
2Q	\$0.19	\$0.31	NA	\$0.17E
3Q	\$0.22	\$0.30	NA	\$0.18E
4Q	\$0.29	\$0.23E	NA	\$0.25E
Year	\$0.94	\$0.87E	NA	\$0.75E
P/E	NA	NA	NA	n/a

Note: Cash & debt pro-forma (post rights offering). Bookings & EPS are Non-GAAP & adj. for non-recurring items. Please see attached model for details.

Caesars Acquisition Company



Source: ThomsonOne

Caesars Growth Partners to Acquire Casino Properties from CZR

This morning, Caesars Entertainment Corporation (CZR) announced it had entered into a definitive agreement to sell Bally's Las Vegas, The Cromwell, The Quad and Harrah's New Orleans to Caesars Growth Partners (CGP) (CACQ owns 42% interest in CGP), for a purchase price of \$2.2 billion, including assumed debt of \$185 million and committed project capital expenditures of \$223 million. The transaction is expected to close in 2Q14. In conjunction with this transaction, Caesars Growth Partners has entered into a commitment letter with various lenders who have agreed to provide \$1.325 billion in senior secured credit facilities (a \$1.175 billion senior secured term facility and a \$150 million senior secured revolving facility) and \$675 million in second lien indebtedness to consummate the deal and to refinance Planet Hollywood Resort & Casino's existing indebtedness. Our initial take on this deal is it's a net positive for CZR shareholders, but an overall neutral-to-negative event for CACQ shareholders.

Our key takeaways:

- One of the primary attributes for owning CACQ/CGP, was it provided a direct way to gain exposure to Caesars Interactive Entertainment (CIE) - social & real-money gaming assets. While CGP owned Planet Hollywood, Las Vegas and had a 41% interest in the Horseshoe Baltimore (scheduled opening in 3Q14), we think most investors who participated in the Rights Offering (and made subsequent open market purchases) believed the underlying value of CGP lied in its ownership interest of CIE. By acquiring four casino properties from CZR it creates a far more convoluted business model and one that has shifted away from the high-growth / high-margin online business that likely attracted many investors in the first place.
- Another reason for owning CACQ/CGP was a much more flexible capital structure. Prior to this transaction, we estimate CGP pro-forma had a net cash position of ~\$273 million (\$1.05bln in cash & \$778m in debt); following this transaction we estimate CGP will have net debt of over \$1.6 billion. While this is a manageable amount of debt and we are not opposed to leverage, we would have much preferred to see CGP use its balance sheet to acquire more online assets (social & real-money) versus casino properties.
- Caesars Entertainment also announced preliminary results for 4Q13 saying it expects consolidated net revenues to be up slightly on a year-over-year basis; however it did not provide any details in terms of the various business segments. CZR and CACQ will report official 4Q13 results on March 11th. We are forecasting CGP to report net revenue of \$169.4 million (+4% q/q, +27% y/y), with \$84.6m from Interactive and \$84.8m from casino properties (i.e. Planet Hollywood, Las Vegas) and total adjusted EBITDA of \$32.4 million (19% margin).

We maintain our Neutral rating and \$12 price-target on shares of CACQ – valuation call. We will update our model and estimates for this transaction once the deal has officially closed.

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Caesars Growth Partners																		
Digital & Interactive Gaming																		
Income Statement		FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13	2Q13	3Q13	4Q13E	FY13E	1Q14E	2Q14E	3Q14E	4Q14E	FY14E	FY15E
USD \$ in millions																		
Income Statement																		
<i>Interactive Entertainment</i>																		
Social & mobile games	53.9	41.3	49.5	51.7	50.8	193.3	66.6	70.7	74.7	78.0	290.0	81.0	84.4	88.0	91.8	345.1	400.6	
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Total interactive revenue	66.5	43.3	51.5	56.6	56.3	207.7	68.6	74.0	78.9	84.6	306.1	98.4	106.1	113.3	121.4	439.2	568.8	
<i>Casino Properties & Development</i>																		
Casino	167.3	42.5	42.0	42.0	44.7	171.2	44.8	39.8	42.1	44.7	171.4	44.8	39.8	81.9	124.3	290.8	569.3	
Food & beverage	68.4	18.1	16.7	17.5	17.4	69.7	21.4	21.6	21.9	21.2	86.1	22.0	22.2	25.7	28.3	98.3	121.0	
Rooms	94.1	23.5	23.7	22.4	22.3	91.9	23.6	26.0	24.1	23.9	97.6	24.3	26.8	24.8	24.6	100.5	102.8	
Other	25.0	4.4	5.3	4.8	6.6	21.1	6.2	7.4	7.2	7.7	28.5	6.8	8.1	9.5	10.0	34.5	39.3	
Less: casino promotional allowances	(48.6)	(12.0)	(11.9)	(12.6)	(13.7)	(50.2)	(13.0)	(12.2)	(11.8)	(12.7)	(49.7)	(12.7)	(12.6)	(18.5)	(24.3)	(68.1)	(108.1)	
Total casino property allowances	306.2	76.5	75.8	74.1	77.3	303.7	83.0	82.6	83.5	84.8	333.9	85.2	84.4	123.5	162.8	455.9	723.5	
Net Revenue	372.7	119.8	127.3	130.7	133.6	511.4	151.6	156.6	162.4	169.4	640.0	183.6	190.5	236.8	284.2	895.1	1,292.4	
<i>Operating Expenses</i>																		
<i>Interactive entertainment - direct</i>																		
Platform fees (social)	16.3	13.6	16.1	16.6	16.3	62.6	21.1	22.0	23.3	24.3	90.7	25.3	26.3	27.4	28.6	107.7	125.0	
Platform fees (iGaming)												2.0	2.0	5.2	6.5	7.6	8.9	
<i>Properties & Development- direct</i>																		
Casino	76.9	19.2	19.3	20.2	20.5	79.2	19.2	16.7	18.7	18.7	73.3	19.7	17.1	29.6	37.5	103.9	154.7	
Food & beverage	32.1	8.1	8.4	8.4	8.3	33.2	10.1	10.4	11.3	11.9	43.7	10.4	10.6	17.3	21.2	59.5	86.5	
Rooms	27.6	7.0	7.0	6.8	5.9	26.7	6.4	6.7	6.8	7.2	27.1	6.6	6.8	11.1	13.8	38.4	57.5	
Property, general, administrative, and other	128.3	39.4	51.5	50.8	47.3	189.0	56.8	67.4	60.5	72.8	257.5	73.5	74.3	90.0	105.2	342.9	516.3	
Depreciation & amortization	29.6	8.1	8.0	8.1	8.0	32.2	10.4	10.4	11.5	11.7	44.0	11.9	12.0	14.2	16.5	54.6	75.0	
Change in fair value contingent consideration	-	-	-	-	-	-	52.4	(3.5)	-	-	48.9	-	-	-	-	-	-	
Total operating expenses:	310.8	95.4	110.3	110.9	106.3	422.9	176.4	130.1	132.1	148.6	587.2	152.5	153.7	197.3	231.6	735.1	1,066.7	
Operating Income	61.9	24.4	17.0	19.8	27.3	88.5	(24.8)	26.5	30.3	20.7	52.7	31.1	36.8	39.5	52.6	160.1	225.6	
Interest expense, net of interest capitalized	(39.9)	(11.3)	(10.6)	(10.0)	(9.8)	(41.7)	(10.1)	(10.2)	(15.8)	(20.0)	(56.1)	(20.0)	(20.0)	(20.0)	(20.0)	(80.1)	(80.1)	
Income from equity method investment in Growth	(2.6)																	
Interest income - related party	123.7	34.0	35.4	37.0	38.7	145.1	40.6	42.5	44.9	44.9	172.9	17.0	17.0	17.0	17.0	68.0	56.0	
Other income, net	0.1	0.4	0.5	0.6	0.4	1.9	0.2	0.1	(0.3)	-	-	-	-	-	-	-	-	
Income before taxes	143.2	47.5	42.3	47.4	56.6	193.8	5.9	58.9	59.1	45.6	169.5	28.1	33.8	36.5	49.6	148.0	201.5	
Provision for income taxes	(50.7)	(15.8)	(16.0)	(17.2)	(17.4)	(66.4)	(1.7)	(17.4)	(18.5)	(14.3)	(51.9)	(8.8)	(10.6)	(11.4)	(15.5)	(46.3)	(63.3)	
Net income (loss)	92.5	31.7	26.3	30.2	39.2	127.4	4.2	41.5	40.6	31.3	117.6	19.3	23.2	25.1	34.1	101.7	138.5	
Non controlling income	(8.0)	(0.4)	(0.3)	(0.7)	0.8	(0.6)	2.1	(1.0)	3.2	-	4.3	(2.0)	(4.0)	(6.0)	(6.0)	(26.0)	(26.0)	
Net income attributable to Growth Partners	84.5	31.3	26.0	29.5	40.0	126.8	6.3	40.5	43.8	31.3	121.9	19.3	23.2	23.1	30.1	95.7	112.5	
<i>Earnings per share</i>																		
- Basic	\$ 0.68	\$ 0.23	\$ 0.19	\$ 0.22	\$ 0.29	\$ 0.94	\$ 0.03	\$ 0.31	\$ 0.30	\$ 0.23	\$ 0.87	\$ 0.14	\$ 0.17	\$ 0.18	\$ 0.25	\$ 0.75	\$ 1.02	
- Diluted	\$ 0.68	\$ 0.23	\$ 0.19	\$ 0.22	\$ 0.29	\$ 0.94	\$ 0.03	\$ 0.31	\$ 0.30	\$ 0.23	\$ 0.87	\$ 0.14	\$ 0.17	\$ 0.18	\$ 0.25	\$ 0.75	\$ 1.02	
Weighted average shares outstanding																		
- Basic	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	
- Diluted	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	
Adjusted EBITDA																		
Interactive Entertainment	27.8	16.8	17.5	22.7	19.2	76.2	20.6	20.1	29.8									
Properties and Development	74.5	18.4	15.8	13.2	20.8	69.1	21.9	22.2	13.6									
Total	102.3	35.2	33.3	35.9	40.0	145.3	42.5	42.3	43.4	32.4	160.6	43.0	48.8	53.7	69.1	214.7	300.0	
Earnings analysis	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13	2Q13	3Q13	4Q13E	FY13E	1Q14E	2Q14E	3Q14E	4Q14E	FY14E	FY15E	
EBITDA Margin analysis																		
Interactive Entertainment	41.8%	38.8%	34.0%	40.1%	34.1%	36.7%	30.0%	27.2%	37.8%									
Properties and Development	24.3%	24.1%	20.8%	17.8%	26.9%	22.8%	26.4%	26.9%	16.3%									
Total Adjusted EBITDA Margin	27.4%	29.4%	26.2%	27.5%	29.9%	28.4%	28.0%	27.0%	26.7%	19.1%	25.1%	23.4%	25.6%	22.7%	24.3%	24.0%	23.3%	
Growth analysis (y/y)																		
Social & mobile games																		
WSOP & online real money gaming																		
Total interactive revenue																		
Casino																		
Food & beverage																		
Rooms																		
Other																		
Total casino property revenue																		
Net Revenue																		
	37.2%	26.5%	23.0%	24.3%	26.8%	25.1%	21.1%	21.7%	45.8%	67.8%	39.9%	44.4%	43.8%	42.8%	41.8%	40.8%	39.8%	



Caesars Acquisition Corporation (CACQ)

Equity Research

April 1, 2014

Adam Krejcek, 714-769-9156

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CACQ: Earnings Analysis

Rating: Neutral

PT: \$12.00

Stock Data					
Stock Price					\$14.21
52 Week Low - High					\$10.34-\$16.98
Shares Out (mil)					135.8
Market Cap (mil)					\$1,929
3-Mo. Avg. Vol					622,664
Cash (mil)					\$994.0
Debt (mil)					\$592.0

FY Oct	2013		2014E		2015E	
		Curr	Prev	Curr	Prev	
1Q	\$151.6	\$201.0	NA	\$307.4	NA	
2Q	\$156.6	\$204.3	NA	\$321.1	NA	
3Q	\$162.4	\$245.6	NA	\$328.1	NA	
4Q	\$183.9	\$293.5	NA	\$345.5	NA	
Year	\$654.5	\$944.3	NA	\$1,302.1	NA	

Revenue (\$ millions)						
FY Oct	2013		2014E		2015E	
		Curr	Prev	Curr	Prev	
1Q	\$151.6	\$201.0	NA	\$307.4	NA	
2Q	\$156.6	\$204.3	NA	\$321.1	NA	
3Q	\$162.4	\$245.6	NA	\$328.1	NA	
4Q	\$183.9	\$293.5	NA	\$345.5	NA	
Year	\$654.5	\$944.3	NA	\$1,302.1	NA	

EPS (\$)						
FY Oct	2013		2014E		2015E	
		Curr	Prev	Curr	Prev	
1Q	\$0.03	\$0.47	NA	\$ 0.73	NA	
2Q	\$0.31	\$0.52	NA	\$ 0.68	NA	
3Q	\$0.30	\$0.57	NA	\$ 0.73	NA	
4Q	-\$0.93	\$0.66	NA	\$ 0.72	NA	
Year	-\$0.30	\$2.21	NA	\$ 2.86	NA	
P/E	NA	NA	NA	NA	NA	

Note: Revenue & EPS are Non-GAAP & adj. for non-recurring items. Please see attached model for details.



Source: ThomsonOne

CACQ: Caesars Acquisition Corporation CY13 Earnings Analysis

Caesars Acquisition Corporation filed its 10-K last Friday. We provide our key takeaways for 4Q/CY13 and our updated financial estimates for Caesars Growth Partners (CGP). Recall, Caesars Acquisition Company (CACQ) was formed to purchase the voting rights of Caesars Growth Partners (CGP), a casino asset and entertainment company. CACQ raised gross proceeds of \$1.17 billion (135.8 million shares at \$8.64) through a rights offering that closed on November 18, 2013. CGP's primary assets include: 100% ownership in Planet Hollywood, 41% ownership in Horseshoe Baltimore Casino, a debt portfolio (CEO Notes), and 76% pro-forma interest in Caesars Interactive (CIE). CGP has also entered into a definitive agreement to acquire Bally's Las Vegas, The Cromwell, The Quad and Harrah's New Orleans from Caesars Entertainment (CZR) (CZR owns 57.6% interest in CGP), for a purchase price of \$2.2 billion, including assumed debt of \$185 million and committed project capital expenditures of \$223 million. The transaction is expected to close in 2Q14 - we have not factored this deal into our new estimates yet.

Our key 4Q/CY13 takeaways:

- Caesars Interactive Entertainment – social & mobile game division had a very strong 4Q with total gross revenues increasing +21% q/q to \$90.7 million. For CY13, social & mobile game gross revenues were up +57% y/y to \$302.7 million.
- Caesars Interactive Entertainment – WSOP & real-money gaming division was up only +4.8% q/q to \$4.4 million in 4Q13 despite the launch of iGaming in New Jersey and Nevada. For CY13, this division reported revenues of \$13.9 million or -3.5% y/y.
- Adjusted EBITDA for Caesars Interactive (social & real-money) in 4Q13 was \$26.6 million (28% margin) vs. \$19.2 million (34.1% margin) in the prior year period. For CY13, adjusted EBITDA for its Interactive business was up +27% y/y to \$97.1 million (30.7% margin).
- Caesars Casino property revenues (Planet Hollywood, Las Vegas) reached \$88.8 million in 4Q13 or +15% y/y. For CY13, casino revenues were up +11% y/y to \$337.9 million. Adjusted EBITDA for casino & property development business reached \$26 million in 4Q13. For CY13, adjusted EBITDA increased +21% y/y to \$83.7 million (24.8% margin).

We maintain our Neutral rating and \$12 price-target on shares of CACQ, which is based on a sum of the parts valuation analysis.

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Caesars Interactive Entertainment

Caesars Growth Partners owns approximately 90.2% of the outstanding shares of CIE's common stock, which may be reduced to approximately 84.5% upon conversion of the \$47.7 million convertible promissory note issued by CIE to Rock Gaming Interactive LLC (founded by Dan Gilbert, owner of Cleveland Cavaliers). After Rock Gaming exercises the convertible promissory note, and after giving effect to other options, restricted stock, and warrants that are exercisable, Caesars Growth Partners will own approximately 76% of CIE on a fully-diluted basis. CIE consists of two distinct business divisions: 1) Social & Mobile Games and 2) Real-Money Online Gaming & WSOP.

Social and Mobile Gaming

Social & mobile game revenues reached a record \$90.7 million (+21% q/q, +79% y/y) in 4Q13 vs. our estimate of \$78 million, with 52% of gross revenues generated from web/Facebook and 48% from mobile. The upside relative to our estimate was largely due to improved monetization levels, notably ARPDAU increased +24% q/q. CIE's primary social casino apps include: *Slotomania*, *Bingo Blitz*, *Caesars Casino/Slots* and *WSOP*.

Key highlights in 4Q13:

- DAUs on web declined -14% q/q and -32% y/y to 2.2 million; however, ARPDAU (web) increased from \$0.17 last quarter to \$0.21 in 4Q13, resulting in total web revenues up +22% q/q to \$47.6 million.
- DAUs on mobile increased +7% q/q and +30% y/y to 2.4 million and ARPDAU (mobile) improved from \$0.17 last quarter to \$0.20 resulting into total mobile revenues up +21% q/q to \$43.1 million.
- Player stickiness ratio (DAU/MAU) was constant at 29%, while paying player conversion rate (MUP/MUU) improved to 1.65% from 1.37% last quarter and 1.23% in the prior year period.
- Average revenue per monthly unique payer reached \$131.45 up from \$124.50 last quarter and \$87.29 in the prior year period.

Social & Mobile Games Revenue Forecast

Social Gaming calculations	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13	2Q13	3Q13	4Q13	FY13	1Q14E	2Q14E	3Q14E	4Q14E	FY14E	FY15E
Total Social/Mobile Revenue (F2P)	\$53.9	\$41.3	\$49.5	\$51.7	\$50.8	\$193.3	\$66.6	\$70.7	\$74.7	\$90.7	\$302.7	\$99.6	\$101.9	\$105.5	\$110.4	\$417.3	\$486.8
Web	\$51.1	\$26.9	\$27.3	\$27.6	\$26.4	\$108.2	\$34.0	\$36.3	\$39.0	\$47.6	\$156.9	\$51.1	\$49.7	\$49.3	\$50.0	\$200.0	\$204.3
Mobile	\$2.8	\$14.4	\$22.2	\$24.1	\$24.4	\$85.1	\$32.6	\$34.4	\$35.7	\$43.1	\$145.8	\$48.5	\$52.2	\$56.2	\$60.4	\$217.3	\$282.5
Avg DAUs (000s)	1,965	4,238	4,802	4,730	5,139	4,727	5,259	4,952	4,803	4,638	4,913	5,324	5,324	5,387	5,460	5,374	5,607
Web	1,955	3,707	3,743	3,257	3,278	3,496	3,106	2,816	2,549	2,221	2,673	2,665	2,532	2,456	2,382	2,509	2,209
% chg q/q	15%	1%	-13%	1%			-5%	-9%	-9%	-13%		20%	-5%	-3%	-3%		
% chg y/y	354%	135%	49%	2%			-16%	-25%	-22%	-32%		-14%	-10%	-4%	7%		-12%
Mobile	40	531	1,059	1,473	1,861	1,231	2,153	2,136	2,254	2,417	2,240	2,659	2,792	2,931	3,078	2,865	3,398
% chg q/q	1228%	99%	39%	26%			16%	-1%	6%	7%		10%	5%	5%	5%		
% chg y/y	NA	NA	NA	4553%			305%	102%	53%	30%		82%	23%	31%	30%	27%	28%
Avg MAUs (000s)	7,185	15,511	18,562	17,200	17,777	17,263	17,695	16,962	16,354	15,913	16,731	18,266	18,265	18,484	18,734	18,437	19,238
Web	7,118	13,166	14,149	11,773	11,242	12,583	10,488	9,838	8,433	7,569	9,082	9,144	8,687	8,426	8,174	8,608	7,579
Mobile	270	2,345	4,413	5,427	6,535	4,680	7,207	7,124	7,921	8,344	7,649	9,122	9,578	10,057	10,560	9,829	11,659
Avg MUUs (000s)	NA	14,612	17,263	15,553	15,800	15,807	16,052	14,941	14,615	13,908	14,879	15,965	15,964	16,155	16,373	16,114	16,814
Avg MUPs (000s)	79	178	212	214	194	200	196	186	200	230	203	264	264	267	271	266	278
MUU/MAU		94%	93%	90%	89%	92%	91%	88%	89%	87%	89%	87%	87%	87%	87%	87%	87%
Player stickiness (DAU/MAU)	27%	27%	26%	28%	29%	27%	30%	29%	29%	29%	29%	29%	29%	29%	29%	29%	29%
Paying player conversion rate (MUP/MUU)	NA	1.22%	1.23%	1.38%	1.23%	1.26%	1.22%	1.24%	1.37%	1.65%	1.36%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%
ARPU	\$0.076	\$0.140	\$0.130	\$0.140	\$0.130	\$0.114	\$0.140	\$0.160	\$0.170	\$0.210	\$0.170	\$0.205	\$0.210	\$0.215	\$0.222	\$0.213	\$0.238
Web	\$0.073	\$0.110	\$0.110	\$0.120	\$0.110	\$0.086	\$0.120	\$0.140	\$0.170	\$0.210	\$0.160	\$0.210	\$0.215	\$0.220	\$0.230	\$0.219	\$0.254
Mobile	\$0.750	\$0.300	\$0.230	\$0.190	\$0.160	\$0.160	\$0.170	\$0.180	\$0.170	\$0.200	\$0.180	\$0.200	\$0.205	\$0.210	\$0.215	\$0.208	\$0.228
ARPMUP	\$684.44	\$232.02	\$233.49	\$241.59	\$261.86	\$968.92	\$339.80	\$380.11	\$373.50	\$394.35	\$1,491.13	\$377.23	\$385.97	\$394.80	\$407.66	\$1,566.11	\$1,750.74
Avg Monthly Revenue Per Paying Player	\$57.04	\$77.34	\$77.83	\$80.53	\$87.29	\$80.74	\$113.27	\$126.70	\$124.50	\$131.45	\$124.26	\$125.74	\$128.66	\$131.60	\$135.89	\$130.51	\$145.89
% of Total Revenue		95%	65%	55%	53%	52%	56%	51%	51%	52%	52%	51%	49%	47%	45%	48%	42%
Web		5%	35%	45%	47%	48%	44%	49%	49%	48%	48%	49%	51%	53%	55%	52%	58%
Q/Q revenue growth		48.0%	19.9%	4.4%	-1.7%		31.1%	6.2%	5.7%	21.4%		9.8%	2.3%	3.5%	4.7%		
Total		7.2%	1.5%	1.1%	-4.3%		28.8%	6.8%	7.4%	22.1%		7.3%	-2.7%	-0.7%	1.4%		
Web		414.3%	54.2%	8.6%	1.2%		33.6%	5.5%	3.8%	20.7%		12.6%	7.6%	7.6%	7.5%		
Y/Y revenue growth						258.6%	61.3%	42.8%	44.5%	78.5%	56.6%	49.5%	44.1%	41.2%	21.7%	37.9%	16.6%
Total						111.7%	26.4%	33.0%	41.3%	80.3%	45.0%	50.2%	36.8%	26.4%	5.0%	27.5%	2.1%
Web						2939.3%	126.4%	55.0%	48.1%	76.6%	71.3%	48.8%	51.8%	57.3%	40.1%	49.0%	30.0%

Source: SEC filings, Eilers Research, LLC

In 1Q14 we project total DAUs reach 5.3 million; +20% q/q growth on web and +10% q/q increase on mobile. The large sequential increase in DAUs largely reflects the inclusion of Pacific Interactive (~500K DAUs in 4Q13 on Facebook), which Caesars Interactive acquired during the quarter. We expect ARPDAU to remain flat in 1Q14 and total gross revenues to reach \$99.6 million (+9.8% q/q, +49.5% y/y). Overall we estimate social & mobile game revenues reach \$417.3 million in CY14 (+38% y/y) and \$486.8 million in CY15 (+17% y/y). We note CIE was the largest social casino game publisher worldwide in 4Q13 and we expect it to maintain this position for the foreseeable future.

WSOP and Real-Money Online Gaming

Caesars Interactive real-money online gaming and WSOP revenues increased just +4.8% q/q to \$4.4 million in 4Q13 vs. our estimate of \$6.6 million. We note 4Q13 results included the launch of real-money online poker & casino games in New Jersey and real-money online poker in Nevada. We believe the shortfall relative to our estimates largely reflects the slower than expected start to iGaming in both NJ/NV and potentially higher than expected revenue share agreement with its technology partner 888. In the table below we highlight gross revenues generated by Caesars Interactive in New Jersey – based on reported figures from New Jersey's Gaming Division CIE generated \$2.38 million in gross iGaming revenues in 4Q13. We estimate CIE is generating \$400-\$500k per month in gross revenues from real-money online poker in Nevada, based on the latest figures reported by Nevada's Division of Gaming.

CIE – New Jersey

Caesars Interactive platform: 888 & Amaya			
	Online Poker	Online Casino	Total
GGR			
Nov-13	\$ 134,222	\$ 214,591	\$ 348,813
Dec-13	\$ 1,068,996	\$ 962,369	\$ 2,031,365
Jan-14	\$ 1,515,141	\$ 1,514,052	\$ 3,029,193
Feb-14	\$ 1,458,761	\$ 1,876,709	\$ 3,335,470
Market share	Online Poker	Online Casino	Total
Nov-13	41%	33%	36%
Dec-13	37%	21%	27%
Jan-14	44%	25%	32%
Feb-14	47%	26%	32%
M/M growth	Online Poker	Online Casino	Total
Jan-14	42%	57%	49%
Feb-14	-4%	24%	10%

Source: NJDGE, Eilers research, LLC

CIE – Adjusted EBITDA

Despite record revenues from CIE adjusted EBITDA declined on a sequential basis to \$26.6 million as EBITDA profit margins declined to 28% from 38% last quarter and 32% in the prior year period. The decline in EBITDA margin largely reflects upfront iGaming costs associated with the launch of real-money online gaming in NJ and NV, combined with an increased customer acquisition costs related to its social & mobile games business.

EBITDA Trends

	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13	2Q13	3Q13	4Q13	FY13
Revenue											
Social & Mobile Game Revenue (F2P)	\$53.9	\$41.3	\$49.5	\$51.7	\$50.8	\$193.3	\$66.6	\$70.7	74.7	90.7	\$302.7
<u>WSOP & RMG</u>	\$12.6	\$3.0	\$3.0	\$2.0	\$6.4	\$14.4	\$2.0	\$3.3	\$4.2	\$4.4	\$13.9
Total Interactive revenue (CIE)	\$66.5	\$43.3	\$51.5	\$53.7	\$59.2	\$207.7	\$68.6	\$74.0	\$78.9	\$95.1	\$316.6
% chg q/q		26%	19%	4%	10%		16%	8%	7%	21%	
% chg y/y		2065%	587%	139%	72%	212%	58%	44%	47%	61%	52%
Adjusted EBITDA											
Interactive Entertainment	\$27.8	\$16.8	\$17.5	\$22.7	\$19.2	\$76.2	\$20.6	\$20.1	\$29.8	\$26.6	\$97.1
% margin	42%	39%	34%	42%	32%	37%	30%	27%	38%	28%	31%

Source: company filing, Eilers Research, LLC

Casino Property and Development

Caesars Growth Partners portfolio of casino-related assets includes Planet Hollywood, Las Vegas and an investment in a casino project under development in Baltimore, Maryland, the Horseshoe Baltimore (not yet open). In addition, CGP is entitled to a 50% interest in the management fee revenues received from Planet Hollywood and Horseshoe Baltimore.

Planet Hollywood

Planet Hollywood was originally constructed in 2001 and renovated in 2007, and is located on the Las Vegas Strip. Planet Hollywood was acquired by Caesars Entertainment in February 2010 and includes a 2,500-room hotel, a 64,500 square foot casino that features 1,100 slot machines, and 79 table games.

In 4Q13, Planet Hollywood revenue reached \$88.8 million (+15% q/q, +6% y/y), for the full-year CY13 total casino property revenue reached \$348 million or +3% y/y. The y/y increase was largely due to higher F&B, room, and other revenues. Going forward we expect Planet Hollywood, LV to grow revenues at 2-3% per annum.

Planet Hollywood, NV	CY11	CY12	CY13	CY14E	CY15E	CY16E
Casino	\$167	\$171	\$171	\$177	\$180	\$184
Food & beverage	\$68	\$70	\$88	\$90	\$92	\$94
Rooms	\$94	\$92	\$100	\$103	\$105	\$107
Other	\$25	\$21	\$28	\$29	\$30	\$30
Less: casino promotional allowances	(\$49)	(\$50)	(\$50)	(\$51)	(\$52)	(\$53)
Total casino property revenue	\$306	\$304	\$338	\$348	\$355	\$362
Y/Y Growth	-1%	11%	3%	2%	2%	2%
Adjusted EBITDA	\$75	\$69	\$84	\$94	\$99	\$101
margin	24%	23%	26%	27%	28%	28%
y/y growth	-7%	21%	12%	6%	2%	2%

Source: S-1 filing, Eilers Research, LLC

Horseshoe Baltimore

Caesars Growth Partners owns an indirect interest in CBAC Gaming, a joint venture with an affiliate of Rock Gaming LLC and other local investors that holds a license to operate a casino in Baltimore. Caesars Entertainment is leading the development of the casino and will serve as the manager of Horseshoe Baltimore. The property is anticipated to be an integrated casino with an 110,000 square-foot floor holding approximately 2,500 video lottery terminals, 100 table games, and 30 poker tables. Additionally, it will contain a 10,000 square foot meeting facility, seven restaurants and/or bars, and a Diamond Lounge. The project is on track to open in 3Q14 at a cost of ~\$400 million. We did not make any changes to our Horseshoe Baltimore estimates.

Bally's Las Vegas, The Cromwell, The Quad and Harrah's New Orleans

Caesars Entertainment Corporation (CZR) recently announced it had entered into a definitive agreement to sell Bally's Las Vegas, The Cromwell, The Quad and Harrah's New Orleans to Caesars Growth Partners (CGP) (CACQ owns 42% interest in CGP), for a purchase price of \$2.2 billion, including assumed debt of \$185 million and committed project capital expenditures of \$223 million. The transaction is expected to close in 2Q14. In conjunction with this transaction, Caesars Growth Partners has entered into a commitment letter with various lenders who have agreed to provide \$1.325 billion in senior secured credit facilities (a \$1.175 billion senior secured term facility and a \$150 million senior secured revolving facility) and \$675 million in second lien indebtedness to consummate the deal and to refinance Planet Hollywood Resort & Casino's existing indebtedness. We will update our estimates for this transaction once the deal officially closes.

Valuation

In the table below we provide an updated sum of the parts analysis – the midpoint of our valuation range implies fair equity value of \$12.35 per share. We note CACQ closed at \$14.21 (as of March 31, 2014), which is in-line with the high-end of our valuation range. We are somewhat perplexed by the recent strength in shares of CACQ considering iGaming has got off to a much slower start than most had expected. While CIE's social & mobile game business continues to outperform we note these businesses tend to trade at relatively modest valuations (ex. King Digital is trading for 7x TTM EV/EBITDA). Finally, we note the upside in CACQ is capped at \$16.88/share (25% compounded annual return over 3-yrs), with a forced liquidation after 8.5 years.

CGP Equity Valuation (\$ in M)	Low-end	Mid-Point	High-end
Casino Properties & Assets			
Planet Hollywood (100% ownership)	\$670	\$753	\$837
Baltimore Maryland (adj. 41% ownership)	\$267	\$379	\$492
Total Enterprise Value	\$936	\$1,133	\$1,329
CIE			
Social & Mobile Games	\$913	\$1,153	\$1,394
RMG & WSOP	\$547	\$875	\$1,203
Total	\$1,460	\$2,028	\$2,596
CIE pro-forma (76% ownership)	\$1,110	\$1,542	\$1,973
Balance Sheet items			
Cash + ST Investments	\$977	\$977	\$977
Less debt (PH, CIE)	(\$502)	(\$502)	(\$502)
Less debt (adj. 41% of BM)	(\$89)	(\$89)	(\$89)
CGP Net Cash	\$385	\$385	\$385
CEO Notes Receivable	\$897	\$897	\$897
Total Equity Value of CGP	\$3,329	\$3,957	\$4,585
Adj. CACQ ownership in CGP (42.4%)	\$1,411	\$1,678	\$1,944
s/o outstanding	135.8	135.8	135.8
Per share value to CACQ	\$10.39	\$12.35	\$14.32

Source: Eilers Research, LLC

Casino Properties & Assets:

- Planet Hollywood, Las Vegas (100% ownership) generated CY13 revenues of \$337.9 million (+11% y/y) and adjusted EBITDA of \$84 million (26% margin). We apply an 8-10x multiple to CY13 EBITDA to derive our valuation range.
- Baltimore Horseshoe, Maryland is expected to open in 3Q14. CGP owns a 52% stake that will be reduced to 41% as it plans to sell an 18% stake to CVPR. Once this property matures we believe it can generate \$394-\$471 million in revenues and EBITDA of \$79-\$118 million. We apply an 8-10x EBITDA multiple and then adjust for CGP's expected 41% ownership to derive a fair valuation range for this property.

Caesars Interactive Entertainment:

- Given the inherent differences between social (free-to-play) and real-money online gaming we believe it's prudent to separate these two business divisions and apply separate valuation multiples.
- Social & mobile games: CIE generated CY13 revenue of \$302.7 million (+57% y/y) and adjusted EBITDA of \$97.1 million (31% margin). We apply an 8-12x EBITDA multiple and then adjust for CGP's 76% pro-forma ownership in CIE to derive a fair value for this business division.
- Real-money online gaming & WSOP: We use CY18 revenue and EBITDA estimates, as we believe it will take at least 5-years before the regulated market for iGaming in the U.S. becomes meaningful and then discount back 4-years for a NPV. We apply a 14-18x EBITDA multiple then adjust for CGP's 76% pro-forma ownership in CIE to derive a fair value for this business division.

Investment Risks

Downside risks to our estimates and price-target include:

- **Regulatory risk.** CGP faces regulatory risk in terms of obtaining and maintaining requisite gaming licenses, especially as it relates to real-money online gaming. Notably, regulated iGaming in the U.S. is a new phenomenon and one that has just been approved in certain jurisdictions. Regulations and laws could change in the future and any changes could have a material impact on CIE's operations. CIE will also be required to obtain necessary iGaming licenses in any new states it plans to enter and there can be no assurance that CIE will meet all of the necessary requirements. Additionally, social casino gaming is currently unregulated, any restrictions or regulations for this industry could have a negative impact on CIE's operations
- **Increased competition.** CGP faces intense competition for each business division it operates including: land-based casinos, social & mobile games, and real-money online gaming. For its land based casino properties, Planet Hollywood-Las Vegas primarily competes against other destination strip resorts, and Horseshoe Baltimore will face stiff competition from Maryland Live. For social casino & mobile gaming, which are considered to have relatively low barriers to entry, CIE faces competition from IGT, Zynga, Big Fish Games, SGMS/WMS and High 5 Games, among others. For real-money online gaming CIE faces competition from various land-based casino operators, lottery providers and overseas online gaming companies. Generally speaking, increased competition will likely result in lower than expected growth rates and margin pressure.
- **Real-money online gaming.** In addition to obtaining necessary licenses the other major risks for iGaming include: payment processing (e.g. NJ and NV have both faced problems with players being able to successfully deposit funds into their online accounts due to the reluctance of major financial institutions to recognize the legality of iGaming), geolocation problems (e.g. NV and NJ both rely on geolocation technology to ensure that only players within their respective state can fully access iGaming sites, if this technology fails to meet adequate standards or blocks certain residents it would have an adverse impact on iGaming operations), market sizing & market share (our iGaming market forecasts make a number of assumptions including penetration rates and annual gaming spend by player, additionally, we make various estimates regarding CIE's market share within each state, which could prove to be materially different than actual results).
- **Key employee departures.** CGP is dependent upon a number of key personnel including Mitch Garber (CEO) and executives from Playtika and Buffalo Studios; if these employees were to leave it would likely have a negative impact on CGP's operations.
- **Economic risk.** CGP's business model is largely dependent upon consumer discretionary spending; any material fluctuations in spending activity would likely have a negative impact on overall operations.
- **Parent company risk.** CZR remains under considerable financial stress, as indicated by the high price of its credit default swaps. In the event of any corporate restructuring at CZR, shareholders could face dilution, asset ownership transfer, and litigation.

Caesars Growth Partners

Digital & Interactive Gaming

Income Statement	FY11	FY12	1Q13	2Q13	3Q13	4Q13	FY13	1Q14E	2Q14E	3Q14E	4Q14E	FY14E	1Q15E	2Q15E	3Q15E	4Q15E	FY15E
USD \$ in millions																	
<u>Income Statement</u>																	
<i>Interactive Entertainment</i>																	
Social & mobile games	53.9	193.3	66.6	70.7	74.7	90.7	302.7	99.6	101.9	105.5	110.4	417.3	114.9	119.5	124.2	128.2	486.8
WSOP & online real money gaming	12.6	14.4	2.0	3.3	4.2	4.4	13.9	13.1	14.8	16.6	18.5	63.0	20.3	21.1	21.9	25.7	89.0
Total interactive revenue	66.5	207.7	68.6	74.0	78.9	95.1	316.6	112.7	116.7	122.1	128.8	480.3	135.2	140.6	146.1	153.9	575.8
<i>Casino Properties & Development</i>																	
Casino	167.3	171.2	44.8	39.8	42.1	44.8	171.5	44.8	39.8	81.9	124.3	290.8	134.3	139.3	143.3	149.2	566.1
Food & beverage	68.4	69.7	21.4	21.6	21.9	22.6	87.5	24.6	24.8	26.3	28.3	104.0	29.5	29.8	30.2	32.5	122.1
Rooms	94.1	91.9	23.6	26.0	24.1	26.5	100.2	24.3	26.8	24.8	27.3	103.2	24.8	27.3	25.3	27.8	105.2
Other	25.0	21.1	6.2	7.4	7.2	7.5	28.3	7.8	9.3	9.0	9.3	35.3	9.3	11.1	10.4	10.7	41.5
Less: casino promotional allowances	(48.6)	(50.2)	(13.0)	(12.2)	(11.8)	(12.5)	(49.5)	(13.2)	(13.1)	(18.5)	(24.6)	(69.3)	(25.7)	(27.0)	(27.2)	(28.6)	(108.5)
Total casino property revenue	306.2	303.7	83.0	82.6	83.5	88.8	337.9	88.3	87.6	123.5	164.6	464.0	172.2	180.5	182.0	191.6	726.3
Net Revenue	372.7	511.4	151.6	156.6	162.4	183.9	654.5	201.0	204.3	245.6	293.5	944.3	307.4	321.1	328.1	345.5	1,302.1
<i>Operating Expenses</i>																	
<i>Interactive entertainment - direct</i>																	
Platform fees (social)	16.3	62.6	21.1	22.0	23.3	28.4	94.8	31.2	31.9	33.0	34.6	130.7	36.0	37.4	38.9	40.1	152.4
Platform fees (iGaming)								3.9	4.4	5.0	5.5	18.9	6.1	6.3	6.6	7.7	26.7
<i>Properties & Development- direct</i>																	
Casino	76.9	79.2	19.2	16.7	18.7	20.2	74.8	20.4	17.7	26.4	35.8	100.4	36.4	33.8	36.2	38.8	145.2
Food & beverage	32.1	33.2	10.1	10.4	11.3	11.7	43.5	10.7	11.0	15.5	20.0	57.2	17.5	20.0	20.1	20.4	78.0
Rooms	27.6	26.7	6.4	6.7	6.8	7.4	27.3	6.8	7.1	10.1	13.8	37.8	13.3	14.6	14.8	16.1	58.8
Property, general, administrative, and other	128.3	189.0	56.8	67.4	60.5	102.6	287.3	90.4	87.8	103.2	117.4	398.8	122.9	138.1	134.5	145.1	540.7
Depreciation & amortization	29.6	32.2	10.4	10.4	11.5	11.6	43.9	12.7	12.9	15.5	18.5	59.6	19.4	20.3	20.7	21.8	82.1
Change in fair value contingent consideration			52.4	(3.5)	-	142.7	191.6	-	-	-	-	-	-	-	-	-	-
Total operating expenses:	310.8	422.9	176.4	130.1	132.1	324.6	763.2	176.2	172.9	208.6	245.6	803.3	251.6	270.5	271.8	290.0	1,083.9
Operating Income	61.9	88.5	(24.8)	26.5	30.3	(140.7)	(108.7)	24.8	31.4	37.0	47.9	141.0	55.8	50.6	56.3	55.5	218.2
Interest expense, net of interest capitalized	(39.9)	(41.7)	(10.1)	(10.2)	(15.8)	(15.5)	(51.6)	(15.5)	(15.5)	(15.5)	(15.5)	(62.0)	(15.5)	(15.5)	(15.5)	(15.5)	(62.0)
Income from equity method investment in Growth	(2.6)																
Interest income - related party	123.7	145.1	40.6	42.5	44.9	46.3	174.3	46.3	46.3	46.3	46.3	185.2	46.3	46.3	46.3	46.3	185.2
Other income, net	0.1	1.9	0.2	0.1	(0.3)	(1.3)	(1.3)	-	-	-	-	-	-	-	-	-	-
Income before taxes	143.2	193.8	5.9	58.9	59.1	(111.2)	12.7	55.6	62.2	67.8	78.7	264.2	86.6	81.4	87.1	86.3	341.4
Provision for income taxes	(50.7)	(66.4)	(1.7)	(17.4)	(18.5)	(15.3)	(52.9)	7.6	8.6	9.3	10.8	36.4	11.9	11.2	12.0	11.9	47.0
Net income (loss)	92.5	127.4	4.2	41.5	40.6	(126.5)	(40.2)	63.2	70.7	77.1	89.5	300.6	98.5	92.6	99.1	98.2	388.4
Non controlling income	(8.0)	(0.6)	2.1	(1.0)	3.2	5.4	9.7	-	-	-	-	-	-	-	-	-	-
Net income attributable to Growth Partners	84.5	126.8	6.3	40.5	43.8	(121.1)	(30.5)	63.2	70.7	77.1	89.5	300.6	98.5	92.6	99.1	98.2	388.4
Earnings per share																	
- Basic	\$ 0.68	\$ 0.94	\$ 0.03	\$ 0.31	\$ 0.30	\$ (0.93)	\$ (0.30)	\$ 0.47	\$ 0.52	\$ 0.57	\$ 0.66	\$ 2.21	\$ 0.73	\$ 0.68	\$ 0.73	\$ 0.72	\$ 2.86
- Diluted	\$ 0.68	\$ 0.94	\$ 0.03	\$ 0.31	\$ 0.30	\$ (0.93)	\$ (0.30)	\$ 0.47	\$ 0.52	\$ 0.57	\$ 0.66	\$ 2.21	\$ 0.73	\$ 0.68	\$ 0.73	\$ 0.72	\$ 2.86
Weighted average shares outstanding																	
- Basic	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8
- Diluted	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8
Adjusted EBITDA																	
Interactive Entertainment	27.8	76.2	20.6	20.1	29.8	26.6	97.1	31.6	32.7	35.4	37.4	137.0	39.2	42.2	43.8	47.7	172.9
Properties and Development	74.5	69.1	21.9	22.2	13.6	26.0	83.7	23.8	23.6	24.7	39.5	111.7	41.3	45.1	47.3	53.7	187.4
Total	102.3	145.3	42.5	42.3	43.4	52.6	180.8	55.4	56.3	60.1	76.9	248.7	80.5	87.3	91.2	101.4	360.4
Earnings analysis	FY11	FY12	1Q13	2Q13	3Q13	4Q13	FY13	1Q14E	2Q14E	3Q14E	4Q14E	FY14E	1Q15E	2Q15E	3Q15E	4Q15E	FY15E
EBITDA Margin analysis																	
Interactive Entertainment	41.8%	36.7%	30.0%	27.2%	37.8%	28.0%	30.7%	28.0%	28.0%	29.0%	29.0%	28.5%	29.0%	30.0%	30.0%	31.0%	30.0%
Properties and Development	24.3%	22.8%	26.4%	26.9%	16.3%	29.3%	24.8%	27.0%	27.0%	20.0%	24.0%	24.1%	24.0%	25.0%	26.0%	28.0%	25.8%
Total Adjusted EBITDA Margin	27.4%	28.4%	28.0%	27.0%	26.7%	28.6%	27.6%	27.6%	27.6%	24.5%	26.2%	26.3%	26.2%	27.2%	27.8%	29.3%	27.7%

Source: company reports, SEC filings, Eilers Research, LLC

R. W. Pressprich Research Update

For Institutional Use Only

April 2, 2014

Caesars Acquisition Company (CACQ)

Valuation Scenarios for CZR Entities



In this Research Update, we provide debt and equity valuation thoughts on Caesars Entertainment Corp. (CZR) and the associated entities including Caesars Growth Partners (CGP, or CACQ), Caesars Entertainment Resort Properties (CERP) and Caesars Entertainment Operating Company (CEO) under various scenarios. ***Our conclusions are summarized below.***

The valuation scenarios can be broadly categorized into two main outcomes: bankruptcy filing or debt restructuring. Of the two outcomes, we think a restructuring is more likely. In addition, from CZR's point of view, a successful restructuring appears to be a better scenario as its stock may have a much higher value.

	Bankruptcy		Restructuring
	w/ PG	w/o PG	(various scenarios)
Debt			
CEO ^{C₂}	44%	0%	60%
CEO ^{unsec}	44%	0%	100%
Equity			
CZR			
before dilution	\$0.00	\$18.79	\$23.32
after dilution (25%)	\$0.00	\$14.09	\$17.49
CACQ	\$10.52	\$8.94	\$12.51
CERP (per CZR share)	\$7.44	\$7.44	\$7.44

Overall, it is our view that,

- (a) CZR needs to address both the parent guarantee and the liquidity issues in the next year or so. Between the two, the parent guarantee appears the top priority for CZR and its LBO sponsors. However, it is very hard to remove the guarantee.
- (b) To address liquidity, CZR needs to target the second lien notes either directly or indirectly. Any debt refinancing or restructuring without the second lien notes will not have much impact on the Company's interest expense.
- (c) A debt-for-CZR debt or a debt-for-CZR equity swap for the second lien notes is unlikely as CZR and its LBO sponsors would either give up on the growth assets in CGP or face prohibitive dilution in CZR equity.
- (d) A debt-for-CEO equity swap (or a convertible deal at the CEO level) for the legacy notes may remove the parent guarantee. However, we don't know of any indenture language or covenant pledge that would prevent CZR from doing such an exchange, especially given apparent little value of CEO equity. On the other hand, a convertible deal at the holdco level for the legacy notes appears doable with a modest dilution (25%). However, we are not sure how a refinancing of the legacy notes would affect the parent guarantee (for the second lien notes) which piggy-back off the legacy notes, not to mention the risk of a clawback.
- (e) With the threat of stripping off the parent guarantee, a distressed debt exchange for the second lien notes at the CEO level is possible through a combination of PIK notes and equity warrants. We assume such an exchange is doable at 60 cents on the dollar.
- (f) With a successful restructuring of the second lien notes, the legacy notes may be taken out at par as they come due in the next two years. Or as indicated in (d), the legacy notes may also be refinanced through a holdco convertible deal.
- (g) Under the restructuring outcome, our calculations show that CZR and CACQ equities are worth, respectively, \$17.50 per CZR share and \$12.50 per CACQ share. Both are modestly lower than the current respective market prices.
- (h) Not discussed in this report is the risk of a substantive consolidation. Under such a scenario, CZR equity is worth zero and CACQ equity will become a GUC claim at \$8.64 (the subscription price) per share.

- **Current & Pro Forma Financials**

For each of the discussed entities, the current and pro forma operating financials and capital structure data are summarized below based on CZR's 2013 10-K and the 8-Ks. The pro forma financials reflect the adjustments to cash, debt and EBITDA with respect to the recently announced asset sales between CZR and CGP, as well as the latest equity offering (see below).

		CGP (b)		CERP (c)		CEO C (a)		CZR	
<u>Financials (as of Dec. 31, 2013, \$ in mm)</u>		<u>reported</u>	<u>pro forma</u>	<u>reported</u>	<u>reported</u>	<u>pro forma</u>	<u>reported</u>	<u>pro forma</u>	
Adjusted EBITDA		\$179	\$348	\$493	\$1,258	\$1,089	\$1,855	\$1,855	
Pro Forma Adjusted EBITDA			\$385	\$620				\$2,018	
Cash		\$992	\$992	\$181	\$1,438	\$3,253	\$2,771	\$4,723	
Debt		\$771	\$2,771	\$4,677	\$19,288	\$19,103	\$23,392	\$25,207	
Market Cap (or Implied)			\$4,483					\$2,760	
Share Count			135.8 (CACQ)				137.2	145.3	
per share price			\$14.00					\$19.00	
RWP Valuation			\$11.15						
Note	(a)	Approximately \$1,146.6 million of debt issued by CEOC was held by other consolidated entities (primarily by CGP). Accordingly, such debt is included in total CEOC debt but is not considered outstanding for CZR.							
	(b)	Implied market capitalization for CGP is calculated based on market price of CACQ (which owns 42.4% of CGP).							
	(c)	Inclusive of the Linq/Octavius assets and other adjustments, pro forma EBITDA was \$619.5 million at CERP.							
Pro Forma Adjust.	CGP	Debt	a total \$2,000 million adjustment is applied to CGP debt in connection to the asset acquisition.						
		EBITDA	pro forma EBITDA include: (1) property EBITDA of \$169 million, and (2) other \$37 million.						
	CEOC	Cash	a cash proceed of \$1,815 million is added to CEOC cash on the announced asset sales.						
		Debt	CEOC debt is reduced by \$185 million as the debt is assumed by CGP in asset sales.						
	CZR	Cash & Debt	the adjustments to cash and debt include proceeds of \$1,815 million from the new debt and \$157 million from equity offering.						

As presented in the next section, our scenario analyses are performed at the entity levels based on the aggregated EBITDA but the specific capital structure for each entity (i.e., CGP, CERP, CEOC and CZR). Although CZR's 10-K provides certain operating data at the property levels, given the complexity, the data is not used in our calculations.

In addition, the table below shows more detailed debt breakdowns at CEOC as of December 31, 2013. It is worth pointing out that over 60% of the legacy unsecured notes issued by CEOC are owned by other CZR entities (primarily CGP).

<u>CEOC Debt</u>	<u>Issues</u>	<u>Face Value</u>	<u>Parent Guarantee</u>
Credit Facilities	TL B1 - B6	\$4,413	Y
1st Lien Notes	11.25 /17, 8.5 /20, 9.0 /20	\$6,345	Y
2nd Lien Notes	12.75 /18, 10.0 /18, 10.0 /15	\$5,493	Y
Property Debt	9.25 /20, 11.0 /19, etc.	\$532	
LBO Unsecured	10.75 /16, 10.75 /18	\$490	Y
Legacy Unsecured	5.625 /15, 6.5 /16, 5.75 /17	\$1,908	Y
Owned by Outside Investors		\$761	
Owned by CGP		\$1,143	
Owned by Other CZR Entities		\$4	
Other Debt		\$109	
Total CEOC Debt		\$19,288	

- **Recent Development**

On March 3, 2014, CZR announced the sale of four assets of Caesars Entertainment Operating Company (CEOC) to Caesars Growth Partners (CGP) for \$2.2 billion, inclusive of assumed debt of \$185 million and committed project capital expenditures of \$223 million. A recent 8-K filing by CGP indicates that it plans to raise a total of \$1,850 million of new debt (\$1,175 million in term loan and \$675 million in second lien notes) plus a \$150 million revolver.

On March 27, 2014, CZR announced the commencement of an underwritten public offering of 7 million of its common shares, excluding a green-shoe option of up to 1.05 million additional shares. CZR and its sponsors (affiliates of TPG Capital LP and Apollo Global Management) have agreed to a lock-up for a period of 60 days after the date of the prospectus supplement for the offering.

- **Valuation Scenarios**

At its current level of business operations (adjusted EBITDA of \$1,855 million), CZR has an unsustainable capital structure (with annual interest expense of \$2,253 million) and capital spending needs (capex of \$726 million in 2013). CZR needs to address its highly leveraged capital structure within the next two years. Recent transactions, including the creations of CGP and CERP, along with the newly announced asset sales to CGP, have certainly enhanced CZR's liquidity. Nevertheless, some kind of debt restructuring at the CEOC level appears necessary for CZR or CEOC to avoid a bankruptcy filing.

In the following sub-sections, we discuss various scenarios which CZR may pursue to revamp its capital structure. We note that most of the CEOC debt is guaranteed by CZR (the parent guarantee). In its effort to restructure debt, CZR needs to address the parent guarantee issue as it will affect asset valuations among the CZR entities. For CEOC noteholders, the parent guarantee (i.e., guarantee of the payment) may be worth up to the equity value of CZR's ownership in CGP (57.8%) and CERP (100%). However, the equity values of CGP and CERP may be indirectly affected by the path of debt restructuring at CEOC. For CZR, the worst case scenario is going into bankruptcy with no stripping of the parent guarantee as this would result in losing control of the Company. For this reason, the parent guarantee is an issue CZR may need to address first.

- Scenario I: Bankruptcy (assuming no stripping of the parent guarantee)

We start with the worst case scenario, bankruptcy. A bankruptcy filing by CEOC or CZR is detrimental to all the stakeholders. We believe this is an outcome both CZR and CEOC noteholders will try to avoid in their debt restructuring negotiations. However, no one, not even CZR, can totally eliminate the possibility of a bankruptcy filing. Depending on the asset value at COEC, the bank debt and the first lien notes may not be fully covered, as shown below. That will leave the second lien notes to rely on the parent guarantee for much of the recovery. Also, because of the parent guarantee, CZR shareholders will probably end up with little value going through a bankruptcy.

On the other hand, we assume that neither CGP's nor CERP's business operations will be dramatically affected by the bankruptcy filing at CEOC. As reported by CZR, it plans to create a shared Services JV to manage the intellectual property (including the Total Reward database) that is used by all CZR entities. Under the plan, CEOC will continue to own the Total Reward system but will contribute an "irrevocable royalty-free license" to Services JV, thereby allowing continued access to the system by other CZR entities (even if CEOC files for bankruptcy).

Available Value

CEOC Value

Asset Value (@ 7x LTM EBITDA)	\$10,876	<= valued at 7x (AC & regional exposure)
Bankruptcy Cost	(\$500)	
Total CEOC Value	\$10,376	

Parent Guarantee (PG) Value

CGP Equity (57.6%, @ CACQ Market Price)	\$2,582	
CERP Equity (100%, @ 9x LTM EBITDA less Net Debt)	\$1,080	<= valued at 9x (primarily LV properties)
Total PG Value	\$3,662	

<u>Debt Claims / Recoveries</u>	<u>Claims</u>		<u>Value from</u>		<u>Recovery from</u>		<u>Total</u>
	<u>FV</u>	<u>Deficiency</u>	<u>CEOC</u>	<u>PG</u>	<u>CEOC</u>	<u>PG</u>	<u>Recovery</u>
CEOC ^{bank} , CEOC ^{1st}	\$10,758	\$381	\$10,376	\$169	96%	2%	98%
CEOC ^{2nd}	\$5,493	\$5,493	\$0	\$2,432	0%	44%	44%
CEOC ^{unsec}	\$2,397	\$2,397	\$0	\$1,061	0%	44%	44%
<u>Equity Valuation</u>	<u>Current Valuation</u>		<u>Adjustment</u>		<u>RWP Scenario Valuation</u>		
CZR					\$0.00		
CACQ	\$11.15		-\$0.63		\$10.52		
CERP (per CZR share)					\$7.44		
CEOC					\$0.00		

In the above calculation, we assume (i) CEOC value will be distributed following absolute priority, and (ii) the parent guarantee value will be shared among the first lien deficiency (if applicable), second lien deficiency claims and unsecured claims. The suggested valuation adjustment to CACQ equity is primarily due to a lower recovery in the senior unsecured notes than assumed in our original report.



- **Valuation Scenarios - *Continued***

In the following valuation scenarios, we assume that CZR will pursue a debt restructuring with the dual intentions of both reducing interest expense and stripping of the parent guarantee from the CEOC debt. The Company may choose to refinance the bank debt, the second lien notes or the legacy notes, and, as shown below, debt recoveries and equity valuations are path-dependent under these scenarios.

- Scenario II: Refinancing of the Bank Debt

On paper, a refinancing of the first lien bank debt could remove the parent guarantee for other CEOC debt which piggy-back off the bank group. In reality, it might be difficult to convince the bank lenders to release the guarantee. As shown below, the bank debt is not fully covered at 7x CEOC EBITDA. More importantly, as CZR moves more good assets (properties on the Strip) away from CEOC, CEOC bondholders will be left with mostly regional gaming properties (except Caesars Palace). With the collateral weakening, the parent guarantee becomes even more important for both bank lenders and other noteholders. Nevertheless, with a big enough consent fee, such a refinancing may be doable. For this reason, we provide the following valuation calculations for both debt and equities within CZR, assuming the parent guarantee is released through the refinancing.

Available Value

CEOC Value

Asset Value (@ 7x LTM EBITDA)	\$10,876	<= valued at 7x (AC & regional exposure)
Bankruptcy Cost	(\$500)	
Total CEOC Value	\$10,376	

Parent Guarantee (PG) Value

CGP Equity (57.6%, @ CACQ Market Price)	\$2,582	
CERP Equity (100%, @ 9x LTM EBITDA less Net Debt)	\$1,080	<= valued at 9x (primarily LV properties)
Total PG Value	\$3,662	
PG Value applicable to CEOC	\$0	

<u>Debt Claims / Recoveries</u>	<u>Claims</u>		<u>Value from</u>		<u>Recovery from</u>		<u>Total</u>
	<u>FV</u>	<u>Deficiency</u>	<u>CEOC</u>	<u>PG/Refi</u>	<u>CEOC</u>	<u>PG/Refi</u>	<u>Recovery</u>

under a bankruptcy filing (w/ stripping of PG)

CEO ^{bank} , CEOC ^{1st}	\$10,758	\$381	\$10,376	\$0	96%	0%	96%
CEO ^{2nd}	\$5,493	\$5,493	\$0	\$0	0%	0%	0%
CEO ^{unsec}	\$2,397	\$2,397	\$0	\$0	0%	0%	0%

under a refinancing of CEOC^{2nd}

CEO ^{bank} , CEOC ^{1st}	\$10,758				100%	100%
CEO ^{2nd}	\$5,493		\$3,296		60%	60%
CEO ^{unsec}	\$2,397		\$2,397		100%	100%

<u>Equity Valuation</u>	<u>Current Valuation</u>	<u>Adjustment</u>	<u>RWP Scenario Valuation</u>
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under a bankruptcy filing (w/ stripping of PG)

CZR			\$18.79
CACQ	\$11.15	-\$2.21	\$8.94
CERP (per CZR share)			\$7.44

under a refinancing of CEOC^{2nd}

CZR			\$23.32
CACQ	\$11.15	\$1.36	\$12.51
CERP (per CZR share)			\$7.44
CEO ^{2nd}			\$0.00

Even though a refinancing of the bank debt may address the parent guarantee issue, it would have a minimum impact on CEOC's liquidity as overall interest expense would probably not come down. For this reason, a bankruptcy filing is still highly likely under this scenario. Without the parent guarantee, recoveries on the second lien notes and the legacy notes are low in a bankruptcy, as shown in the table above.



- **Valuation Scenarios - *Continued***

- Scenario II: Refinancing of the Bank Debt - *Continued*

On the other hand, the dire situation may force the second lien holders to the negotiating table for a restructuring through a distressed debt swap. Under such an assumption, CZR may be able to refinance the second lien notes at 60 cents on the dollar and may also reduce upfront cash interest costs by using PIK notes. CZR may also use warrants (convertible to CZR equity) to attract potential second lien holders. By our estimate, a successful refinancing of the second lien notes may reduce interest costs on the second lien from \$570 million to less than \$300 million. In addition, an improvement in liquidity would allow CZR to address maturities of the legacy notes. For this reason, the legacy notes may have a par recovery.

On the equity side, the adjustment to CACQ equity is attributable to the CEOC debt it holds. As discussed, recoveries for the legacy notes may be zero (under a bankruptcy filing) or may be 100% (under a successful refinancing of the second lien notes). The impact on CACQ equity is either a negative \$2.21 per share (bankruptcy) or a positive \$1.36 per share (refinancing). In either case, CZR equity is better valued without the parent guarantee. CZR will derive its value primarily from its equity ownership in CACQ and CERP, and is valued between \$18.92 (bankruptcy) and \$23.49 (refinancing).

As an example, the table below shows the impact of a debt restructuring on CZR's liquidity situation. We assume that CZR will address the restructuring on two fronts:

- (a) It will use the proceeds of the asset sales (\$2,000 million) to pay down bank debt or first lien notes. It appears that CZR has the capacity to fully pay off the 11.25% 2017 notes even at a certain premium.
- (b) It will implement a debt exchange for second lien notes at the CEOC level. We assume that such an exchange can be structured at 65 cents on the dollar and at 9.5% cash interest plus 3.5% PIK.

All told, the restructuring would remove over \$4 billion of debt from the CEOC books and would reduce cash interest expense from \$1.65 billion to \$1.13 billion. More importantly, the restructuring would allow CZR to push out the maturities of the senior part of its capital structure. As such, a refinancing of the legacy notes would be easier as CZR owns over 60% of the notes.

CEOC Debt	Issues	Current			After Refi	
		FV	Interest	Refinance	FV	Interest
Credit Facilities	TL B1 - B6	\$4,413	\$263		\$4,413	\$263
1st Lien Notes	11.25 /17, 8.5 /20, 9.0 /20	\$6,345	\$612	(\$2,095)	\$4,250	\$376
2nd Lien Notes	12.75 /18, 10.0 /18, 10.0 /15	\$5,493	\$570	(\$2,197)	\$3,296	\$280
Property Debt	9.25 /20, 11.0 /19, etc.	\$532	\$35		\$532	\$35
LBO Unsecured	10.75 /16, 10.75 /18	\$490	\$53		\$490	\$53
Legacy Unsecured	5.625 /15, 6.5 /16, 5.75 /17	\$1,908	\$113		\$1,908	\$113
Other		\$109	\$7		\$109	\$7
Total		\$19,288	\$1,652		\$14,996	\$1,127



- **Valuation Scenarios - *Continued***

- Scenario III: Refinancing of the Second Lien Notes

As shown in the Appendix, the indenture for the CEOC 10% second lien notes prohibits CZR from refinancing the second lien notes for notes with a higher priority lien. As such, barring an indenture amendment, the refinancing may be structured at the CZR (HoldCo) level through either a debt-for-debt or debt-for-equity swap. Under such a process, a convertible deal seems the most reasonable. Underlying equity for the convertible notes can be either CZR stock or CGP stock. As shown in the calculations below, the valuation is not encouraging from the CZR's point of view given a potential huge dilution or an outright discharge of CGP ownership.

(a) HoldCo Notes Convertible into CGP Stock

At the current price of \$14.00 for CACQ equity, CZR's 57.6% ownership in CGP is worth \$2,580 million. By our estimate, a convertible deal priced at 5% with a 25% premium would bring in proceeds of approximately \$3,230 million. This will allow CZR to refinance the second lien notes at a little less than 60 cents on the dollar, compared to current price of 45 cents. In our view, such a deal, although attractive to the second lien holders (as the potential recovery is higher than Scenario I, a bankruptcy filing with the parent guarantee intact), is detrimental to CZR equity as it would essentially give up on the growth assets in CGP.

Available Value

CEOC Value

Asset Value (@ 7x LTM EBITDA)	\$10,876	<= valued at 7x (AC & regional exposure)
Total CEOC Value	\$10,876	

Parent Guarantee (PG) Value

CGP Equity (57.6%, @ CACQ Market Price)	\$2,582	
CERP Equity (100%, @ 9x LTM EBITDA less Net Debt)	\$1,080	<= valued at 9x (primarily LV properties)
Total PG Value	\$3,662	
PG without CGP	\$1,080	
Convertible (25% premium to CGP Equity)	\$3,228	

<u>Debt Claims / Recoveries</u>	Claims		Value from		Recovery from		
	FV	Deficiency	CEOC	Refi	CEOC	Refi	Total
CEO ^{bank} , CEO ^{1st}	\$10,758		\$10,876		100%		100%
CEO ^{2nd}	\$5,493			\$3,228		59%	59%
CEO ^{unsec}	\$2,397			\$2,397		100%	100%
<u>Equity Valuation</u>	<u>Current Valuation</u>		<u>Adjustment</u>		<u>RWP Scenario Valuation</u>		
CZR					\$7.44		
CACQ	\$11.15		\$1.36		\$12.51		
CERP (per CZR share)					\$7.44		
CEOC					\$0.00		

A successful refinancing of the second lien notes at the assumed terms would reduce CZR's annual interest on the notes from \$570 million to less than \$200 million. This would give CZR a much improved liquidity, which in turn would allow the Company to retire or refinance the legacy and LBO notes as they come due in the next two years. For this reason, we assume that the unsecured notes will be taken out at par at reasonable cost as CZR already owns close to 60% of the legacy notes.

As shown, even with the refinancing of the second lien notes, CEOC would still be highly leveraged. As such, CEOC equity may not worth anything. Consequently, the equity value of CZR would primarily come from CERP as CGP is essentially owned by the second lien holders.



- **Valuation Scenarios - *Continued***

- Scenario III: Refinancing the Second Lien Notes - *Continued*

- (b) HoldCo Notes Convertible into CZR Stock

In order to refinance the second lien notes at the same 60 cents on the dollar, CZR needs proceeds of approximately \$3,300 million. Again, with an assumed deal premium of 25%, the necessary underlying equity value is approximately \$2,640 million. Assuming CZR equity would trade to \$23.30 after the transaction (before dilution adjustment, as shown in the table below), the total market capitalization would be a little over \$3,380 million. As such, the convertible deal appears prohibitively dilutive with over 75% ($\approx \$2,640 / \$3,380$) of CZR equity going to the second lien holders.

Available Value

CEO/C Value

Asset Value (@ 7x LTM EBITDA)	\$10,876	<= valued at 7x (AC & regional exposure)
Total CEO/C Value	\$10,876	

Parent Guarantee (PG) Value

CGP Equity (57.6%, @ CACQ Market Price)	\$2,582	
CERP Equity (100%, @ 9x LTM EBITDA less Net Debt)	\$1,080	<= valued at 9x (primarily LV properties)
Total PG Value	\$3,662	
Convertible (25% premium to CZR Equity)	\$3,296	

<u>Debt Claims / Recoveries</u>	Claims		Value from		Recovery from		<u>Total</u>
	<u>FV</u>	<u>Deficiency</u>	<u>CEO/C</u>	<u>Refi</u>	<u>CEO/C</u>	<u>Refi</u>	
CEO/C ^{bank} , CEO/C ^{1st}	\$10,758		\$10,876		100%		100%
CEO/C ^{2nd}	\$5,493			\$3,296		60%	60%
CEO/C ^{unsec}	\$2,397			\$2,397		100%	100%

Equity Valuation Current Valuation Adjustment RWP Scenario Valuation

CZR

before dilution adjustment	\$23.32
value to current CZR shareholders - after dilution adjustment (75% dilution)	\$5.83
CACQ	\$11.15
CERP (per CZR share)	\$7.44
CEO/C	\$0.00

Clearly, the convertible deal would be hugely dilutive as current CZR shareholders would only end up with less than 25% of the Company after the refinancing. On the other hand, with a successful refinancing, CZR would have a much improved liquidity situation to deal with the maturities of the legacy and LBO notes in the next two years.

In summary of Scenario III, a holdco level debt-for-debt or debt-for-equity swap, in which we use a convertible refinancing as a proxy, may not be a good path to pursue, at least on paper. CZR and its LBO sponsors would either give up on the growth assets in CGP or face prohibitive dilution. In reality, however, the rumored ownership stake of the second lien notes by CZR will certainly make the refinancing easier and less costly.



- **Valuation Scenarios - *Continued***

- Scenario IV: Refinancing of the Legacy Notes

From a liquidity point of view, CZR has little incentive to target the legacy notes for refinancing. As indicated, CZR owns over 60% of the legacy notes. Therefore, potential savings on interest expense will be limited.

However, CZR may choose to restructure or refinance the legacy notes for the sole purpose of removing the parent guarantee. In theory, according to the indenture for the legacy notes (see Appendix), the parent guarantee of the legacy notes will be released if CEOC "ceases to be a wholly owned subsidiary" of CZR. In reality, we are not sure the path by which this may be achieved. Will CZR be able to use its majority ownership of the legacy notes to structure a debt-for-CEOC equity swap? Is a convertible deal possible at CEOC level given little value for CEOC equity? A debt-for-CEOC equity swap would certainly be beneficial to CZR in financial terms (by giving up \$1,146 million legacy notes for a total of \$3,660 million in the parent guarantee value). In addition, given the relatively small size of the legacy notes, along with the fact that CZR owns over 60% of the notes, the potential dilution from a convertible deal at CZR level is small (less than 25%). We don't know of any indenture language or covenant pledge that would prevent the Company from doing such a debt-for-CEOC equity swap.

Nevertheless, as an academic drill, we present the following valuation table. The results are similar to Scenario II (also with parent guarantee removed).

Available Value

CEOC Value

Asset Value (@ 7x LTM EBITDA)	\$10,876	<= valued at 7x (AC & regional exposure)
Bankruptcy Cost	(\$500)	
Total CEOC Value	\$10,376	

Parent Guarantee (PG) Value

CGP Equity (57.6%, @ CACQ Market Price)	\$2,582	
CERP Equity (100%, @ 9x LTM EBITDA less Net Debt)	\$1,080	<= valued at 9x (primarily LV properties)
Total PG Value	\$3,662	

<u>Debt Claims / Recoveries</u>	Claims		Value from		Recovery from		<u>Total Recovery</u>
	<u>FV</u>	<u>Deficiency</u>	<u>CEOC</u>	<u>PG/Refi</u>	<u>CEOC</u>	<u>PG/Refi</u>	
under a bankruptcy filing (w/ stripping of PG)							
CEO C ^{bank} , CEOC ^{1st}	\$10,758	\$381	\$10,376	\$0	96%	0%	96%
CEO C ^{2nd}	\$5,493	\$5,493	\$0	\$0	0%	0%	0%
CEO C ^{unsec}	\$2,397	\$2,397	\$0	\$0	0%	0%	0%
under a refinancing of CEOC^{2nd}							
CEO C ^{bank} , CEOC ^{1st}	\$10,758				100%	100%	
CEO C ^{2nd}	\$5,493			\$3,296	60%	60%	
CEO C ^{unsec}	\$2,397			\$2,397	100%	100%	

Equity Valuation Current Valuation Adjustment RWP Scenario Valuation

under a bankruptcy filing (w/ stripping of PG)

CZR			
before dilution adjustment			\$18.79
value to current CZR shareholders - after dilution adjustment (25% dilution)			\$14.09
CACQ	\$11.15	-\$2.21	\$8.94
CERP (per CZR share)			\$7.44
CEO C			\$0.00

under a refinancing of CEOC^{2nd}

CZR			
before dilution adjustment			\$23.32
value to current CZR shareholders - after dilution adjustment (25% dilution)			\$17.49
CACQ	\$11.15	\$1.36	\$12.51
CERP (per CZR share)			\$7.44
CEO C			\$0.00



- **Valuation Scenarios - *Continued***

- Scenario IV: Refinancing of the Legacy Notes - *Continued*

Again, a refinancing of the legacy notes would have a minimal impact on CEOC's liquidity as overall interest expenses may not come down. For this reason, a bankruptcy filing is still highly likely under this scenario. Without the parent guarantee, recoveries on the second lien notes and the legacy notes (or the CEOC equity the notes may convert into) are low, as shown in the table above. Similar to Scenario II, the risk of a bankruptcy filing and the loss of the parent guarantee may force the second lien holders to accept a debt refinancing at a distressed level (say 60 cents on the dollar) and at lower cash interest (with the help of a PIK feature). By our estimate, a successful refinancing of the second lien notes may reduce interest costs on the second lien from \$570 million to less than \$300 million. The improvement in liquidity would allow CZR to retire or refinance the legacy and LBO notes as they come due in the next two years.

On the equity side, the adjustment to CACQ equity is attributable to the CEOC debt it holds. Under the current scenario, there appears no recovery for the unsecured legacy debt as the parent guarantee is stripped off. Similar to Scenario II, CZR equity is better valued without this guarantee. CZR would derive its value primarily from its equity ownership in CACQ and CERP.

- General Conclusion

On paper, the scenarios are academic exercises with simplified assumptions. In reality, a restructuring will very likely not follow the exact path of any single one of our scenarios. The Company will certainly address its liquidity on multiple fronts. Nevertheless, we reach the following conclusions through the scenario analysis:

- CZR needs to address both the parent guarantee and the liquidity issues in the next year or so. Between the two, the parent guarantee is the top priority for CZR and its LBO sponsors.
- To address liquidity, CZR needs to target the second lien notes directly. Any debt refinancing or restructuring without the second lien notes will not have much impact on its interest expense.
- A debt-for-CZR debt or a debt-for-CZR equity swap for the second lien notes is unlikely as CZR and its LBO sponsors would either give up on the growth assets in CGP or face prohibitive dilution in CZR equity.
- A debt-for-CEOC equity swap (or a convertible deal at the CEOC level) for the legacy notes may break the parent guarantee. However, we don't know of any indenture language or covenant pledge that would prevent CZR from doing such an exchange, especially given apparent little value of CEOC equity.
- With the threat of stripping off the parent guarantee, a distressed debt exchange for the second lien notes at CEOC level is possible through a combination of PIK notes and equity warrants. We assume such an exchange is doable at 60 cents on the dollar.
- With a successful restructuring of the second lien notes, the legacy notes may be taken out at par as they come due. Or as indicated in (d), the legacy notes may also be refinanced through a holdco convertible deal.
- Under the restructuring outcome, our calculations show that CZR and CACQ equities are worth, respectively, \$17.50 per CZR share and \$12.50 per CACQ share. Both are modestly lower than the respective market prices.

All told, the following table summarizes our valuations for debt and equity within CZR. Of the two main scenarios: bankruptcy and restructuring, we think a restructuring is more likely. In addition, a restructuring appears to be a better scenario from CZR point of view as the stock may have a much higher value.

	Bankruptcy		Restructuring
	<u>w/ PG</u>	<u>w/o PG</u>	<u>(various scenarios)</u>
Debt			
CEOC ^{2nd}	44%	0%	60%
CEOC ^{unsec}	44%	0%	100%
Equity			
CZR			
before dilution	\$0.00	\$18.79	\$23.32
after dilution	\$0.00	\$14.09	\$17.49
CACQ	\$10.52	\$8.94	\$12.51
CERP (per CZR share)	\$7.44	\$7.44	\$7.44
CEOC	\$0.00	\$0.00	\$0.00



- **CACQ Valuation - A Revision**

Our revised valuation of CACQ equity is presented in the table below. The revision is primarily related to the recently announced asset acquisition in which CGP will acquire four casino properties from CEOC. In addition, CACQ has recently filed its 10-K for 2013. As such, an adjustment is also made to the net cash of the Company.

CACQ Valuation	<u>RWP Est.</u>	<u>Comment</u>
(a) CGP Valuation - as of previous report		
Interactive Entertainment	\$1,505	valued at 11.5x EBITDA
Casino Properties & Developments	\$980	valued at 8x - 9x EBITDA
CEOC Notes	\$708	valued at 61.75% of face value
Net Cash as of December 31, 2013	\$508	adjusted for Rights, PH purchase and PHW loan
Implied Equity Value for CGP	\$3,701	
(b) CGP Valuation Adjustments		
Asset Acquisition		
Property Value	\$1,746	valued at 9x pro forma EBITDA of \$194 million
Management Fee Value	\$413	valued at 15x fee of \$27.5 million
Debt to be Incurred and Assumed	(\$2,000)	= \$1,815 (incurred) + \$185 (assumed)
Adjustment to Asset Acquisition	\$159	
Net Cash Adjustment		
Cash at December 31, 2013	\$992	
Debt at December 31, 2013	(\$772)	
Net Cash of December 31, 2013	\$220	
Net Cash Used in Report	\$508	
Net Cash Adjustment	(\$288)	
Total Adjustment	(\$129)	
(c) Total CGP Valuation	\$3,572	
Implied Value for CACQ (42.4% CGP)	\$1,514	
Value per CACQ (135,771,882 shares)	\$11.15	<= present value

As shown, our revised valuation shows that CACQ may be worth \$11.15 per share, compared to our previous target of \$11.55. In addition, as discussed in our original report, CZR owns a call right which allow it to acquire all or a portion of the voting units of CGP (i.e., CACQ common stock) not otherwise owned by CZR starting November 1, 2016. The purchase, which can be made in either cash or CZR common stock provided that the cash portion will not exceed 50% of the total consideration, will be the fair market value of the units at the time based on an independent appraisal, but subject to both minimum and maximum prices. By our estimates, CACQ equity is currently subject to a minimum call price of \$11.66 and a maximum call price of \$16.88 by November 1, 2016. On the other hand, CZR will be subject to liquidity (a minimum of \$1.0 billion) and leverage (a maximum net debt leverage ratio of 9:1) tests.

CACQ equity recently traded at \$14.00. At this price, the annualized return is only 7.0% should CZR exercise the call right. Apparently, investors are betting on two fronts: (i) CACQ (or CGP) will be worth more than the call price of \$16.88 per share by 2016, and (ii) CZR will not exercise the call. We disagree with both of the assumptions.



- **Appendix - Indenture Language**

(a) Parent Guarantee

- CEOC 10.0% 2018 (2nd Lien)

The Parent Guarantee is a continuing guarantee and shall:

- (1) remain in full force and effect until payment in full of all the Parent Guaranteed Obligations;
- (2) subject to the next succeeding paragraph, be binding upon the Parent Guarantor and its successors; and
- (3) inure to the benefit of and be enforceable by the Trustee, the holders and their successors, transferees and assigns.

The Parent Guarantee will be automatically released upon:

- (1) the Issuer ceasing to be a Wholly Owned Subsidiary of Harrah's Entertainment;
- (2) the Issuer's transfer of all or substantially all of its assets to, or merger with, an entity that is not a Wholly Owned Subsidiary of Harrah's Entertainment in accordance with the covenant described under "—Merger, Amalgamation, Consolidation or Sale of All or Substantially All Assets," and such transferee entity assumes the Issuer's obligations under the Indenture; and
- (3) the Issuer's exercise of its legal defeasance option or covenant defeasance option as described under "—Defeasance" or if the Issuer's obligations under the Indenture are discharged in accordance with the terms of the Indenture.

In addition, the Parent Guarantee is automatically released upon the election of the Issuer and notice to the Trustee if the guarantee by Harrah's Entertainment of the Credit Agreement, the Senior Interim Loan Facility, the Existing Notes or any other Indebtedness which resulted in the obligation to guarantee the Notes has been released or discharged.

- CEOC 6.5% 2016 (Legacy)

Harrah's Entertainment will irrevocably and unconditionally guarantee, on an unsecured senior basis, the payment of all obligations of Harrah's Operating under the notes. If Harrah's Operating defaults in the payment of the principal of, premium, if any, or interest on the notes when and as the same shall become due, whether upon maturity, acceleration, call for redemption or otherwise, without the necessity of action by the trustee or any holder of the notes, Harrah's Entertainment shall be required promptly and fully to make such payment. The indenture provides for the release of Harrah's Entertainment as guarantor of the notes in certain circumstances, including circumstances in which:

- (1) Harrah's Operating ceases to be a wholly owned subsidiary of Harrah's Entertainment; or
- (2) Harrah's Operating transfers all or substantially all of its assets to, or merges with, another entity in a transaction governed by the "Corporation May Consolidate, Etc. on Certain Terms" covenant in the indenture, and (1) such transferee entity assumes Harrah's Operating's obligations under the indenture and (2) such transfer or merger otherwise complies with the requirements of such covenant.

(b) Liens

- CEOC 10.0% 2018 (2nd Lien)

Section 4.12 Liens

The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create or incur any Lien on the Collateral (including any Permitted Lien) securing Indebtedness with a Lien that is junior in priority to the Liens securing First Priority Lien Obligations unless such Lien is pari passu with, or junior in priority to, the Liens securing the Notes. Further, the Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, exchange any Indebtedness secured by any Lien on the Collateral (or on the Collateral securing the First Priority Lien Obligations) that is senior in priority to the Liens securing the Notes for any of the Existing Notes, the Existing Second Lien Notes, the Notes or Additional Second Priority Debt.



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R. W. Pressprich Research Update

For Institutional Use Only

April 28, 2014

Caesars Acquisition Company (CACQ) *10-K Cut & Valuation Update*



In this Research Update, we discuss our thought on the 10-K, and provide a valuation update for Caesars Acquisition Company (CACQ).

- **10-K & 8-K**

Caesars Acquisition Company (CACQ) filed its 10-K for fiscal 2013 on March 28, 2014. Since then, the Company filed several 8-Ks regarding the recently announced asset acquisition and related financings, as well as lawsuits filed against Caesars Entertainment Corp. (CZR) and Caesars Entertainment Operating Company (CEO). Summarized below is certain relevant information (from the view point of CACQ valuation) discussed in the 10-K and 8-Ks.

- Earnings at Caesars Growth Partners (CGP)

The 10-K provides the following revenue and EBITDA breakdowns with respect to CGP's two operating units: Interactive Entertainment and Casino Properties & Development. At Interactive Entertainment, the strong growth of both revenue and EBITDA was a result of a combination of the December 2012 acquisition of Buffalo Studios and growth in the Playtika business. At Casino Properties & Development, higher revenue and EBITDA were attributable to increases in both road trips (+1.1%) and spend per trip (+5.4%) at Planet Hollywood.

<u>Caesars Growth Partners (\$ in mm)</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues			
Interactive Entertainment	\$66.5	\$207.7	\$316.6
Casino Properties & Developments	\$306.2	\$303.7	\$337.9
Total Net Revenue	\$372.7	\$511.4	\$654.5
Adjusted EBITDA			
Interactive Entertainment	\$27.8	\$76.2	\$97.1
Casino Properties & Developments	\$74.5	\$69.1	\$83.7
Total Adjusted EBITDA	\$102.3	\$145.3	\$180.8

In addition, the filing showed that approximately 96% of revenues at Caesars Interactive Entertainment (CIE) were generated from its social and mobile gaming business in 2013, as shown below.

<u>CIE (\$ in mm)</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues			
Social & Mobile Gaming			
Web	\$51.1	\$108.2	\$156.9
Mobile	\$2.8	\$85.1	\$145.8
Social & Mobile Gaming	\$53.9	\$193.3	\$302.7
Other	\$12.6	\$14.4	\$13.9
Total CIE Revenue	\$66.5	\$207.7	\$316.6
% of Revenue from Social & Mobile Gaming	81.1%	93.1%	95.6%
Operating Statistics			
Average MAUs ('000)			
Web	7,118	12,583	9,082
Mobile	67	4,680	7,649

- **10-K & 8-K - *Continued***

- Valuation of CIE Common Stock

CGP owned approximately 90.2% of Caesars Interactive Entertainment (CIE) as of December 31, 2013. The 10-K filing shows that the fair value of CIE's common stock as of December 31, 2013 was \$8,010 per share, compared to \$5,470 per share as of September 30, 2013. According to Caesars, the drivers of the large increase in share price include the launch of real money gaming in New Jersey in November 2013, and significant acceleration in the Playtika business late in the fourth quarter. Information from the 10-K suggests that CIE has total shares outstanding of 156,368. This would suggest a total CIE value of \$1,253 million. In our calculation shown on page 4, we value CIE at approximately \$1,865 million.

- Casino Properties

In connection with the recently announced acquisition of four casino properties from CEOC and related financings, CACQ filed an 8-K on April 10, providing more detailed property information and pro forma financials for the Purchased Properties along with the existing one (Planet Hollywood).

<u>Property</u>	<u>Hotel Rooms</u>	<u>Slot Machines</u>	<u>Gaming Tables</u>	<u>Restaurants</u>
Planet Hollywood	2,496	1,102	91	17
Bally's Las Vegas	2,814	1,002	67	12
The Quad	2,545	772	68	13
The Cromwell	188	440	66	4
Harrah's New Orleans	450	1,820	142	9
Total	8,493	5,136	434	55

In the 8-K, CACQ shows the following EBITDA reconciliation of net income to Adjusted EBITDAM (pro forma) for the year ended December 31, 2013.

<u>CGP - Adjusted EBITDAM (pro forma)</u>	<u>12/31/13</u>
Net Income	(\$26.2)
Interest Expense	\$160.3
Provision for Income Taxes	-
Depreciation & Amortization	\$84.2
EBITDA	\$218.3
Adjustments	
Project Operating Costs, etc.	\$5.2
Loss of Early Extinguishment of Debt	\$1.6
Other (Stock Compensation, Litigation Settlements, etc.)	\$12.6
Adjusted EBITDA	\$237.7
Management Fee (Planet Hollywood \$17.8 mm, Others \$11.0 mm)	\$28.8
Cromwell 2013 EBITDA	\$1.0 (actual EBITDA was negative)
Adjusted EBITDAM	\$267.5
Pro Forma Adjustments	
Cost Savings to be Realized	\$2.6
Lease Payment for Grand Bazaar	\$3.0
Full Year Benefit from Bally's South Tower Renovation	\$5.6
Adjusted EBITDAM - Pro Forma	\$278.7

According to the Property Management Agreements to be entered into at the closing of the acquisition, the ongoing management fees consist of (i) a base management fee of 2% of net operating revenues for each month of each year, and (ii) an incentive management fee in an amount of 5% of EBITDA for each operating year. On a pro forma basis, management fees for the Purchased Properties were approximately \$11 million for 2013, after consideration of the return of 50% of such fees from CEOC. Management fees for Planet Hollywood were \$17.8 million for 2013.



- **10-K & 8-K - *Continued***

- Casino Properties - *Continued*

Beyond 2013, the 8-K provides an estimated range of projected run-rate Adjusted EBITDAM (pro forma). The adjustments include (i) the implementation of resort fees at Harrah's New Orleans, (ii) the projected recovery of lost Adjusted EBITDAM from construction and development related to the Linq and The Quad, (iii) the application to CACQ of previously unallocated corporate level savings and expenses, and (iv) the full completion of The Quad renovation.

<u>CGP - Projected Run-Rate Adjusted EBITDA (pro forma)</u>	<u>Estimated Range</u>		
Adjusted EBITDAM - Pro Forma, Fiscal 2013	\$278.7		
Resort Fees at Harrah's (\$15 per room)	\$0.0	-	\$1.0
Unallocated Corporate Cost Savings	\$1.8	-	\$3.0
Less: Unallocated Corporate Expenses	(\$9.3)	-	(\$15.2)
Run-Rate Adjusted EBITDAM (pro forma)	\$265.3	-	\$273.4
Pro Forma Adjustments for Development Projects			
Recovery from the Linq and The Quad Construction Disruption	\$14.0	-	\$25.0
Benefit from the Completion of The Quad Renovation	\$31.0	-	\$47.0
Run-Rate Adjusted EBITDAM (pro forma) including Developments	\$310.3	-	\$345.4
Less: CEOC's Share of Management Fees	(\$23.0)	-	(\$24.0)
Run-Rate Adjusted EBITDA (pro forma) including Developments	\$287.3	-	\$321.4

In the above run-rate projection, CACQ eliminated the EBITDA (positive or negative) of The Cromwell because it is a qualified non-recourse subsidiary of CGP. As a qualified non-recourse subsidiary, The Cromwell (i) will not guarantee CGP's credit facilities and newly issued notes, and will not provide any portion of the collateral securing the credit facility and the notes, (ii) has no obligation to pay any amounts due pursuant to the credit facility or the notes, and (iii) will be subject on a limited basis to the restrictive covenants in the credit agreement governing the credit facilities or the indenture governing the notes. However, from an equity valuation point of view for CACQ stock, we would include EBITDA from The Cromwell in our calculation. According to the same 8-K, The Cromwell is expected to generate an annual rate of Adjusted EBITDAM of \$40 million to \$50 million.

Another important issue, from an equity valuation point of view, is the timeline of the pro forma EBITDA adjustments for the development projects. The Cromwell is currently closed and is scheduled to open in the second quarter of 2014. Formerly known as the Imperial Palace, The Quad was re-named in 2012 as part of an initial renovation to upgrade the complex concurrently with the development of the Linq. The Quad is currently undergoing a second renovation which is expected to be finished during the first half of 2015. In our view, EBITDA from the developments should be discounted (say at 15%) to take into account the time value and the development risk associated with the projects.

In addition, included in the projected run-rate of Adjusted EBITDA of \$287.3 million - \$321.4 million is CGP's portion of management fees of approximately \$23 million - \$24 million. In our previous valuation, we applied a higher multiple (13x) on the fee portion of the total EBITDA. We understand that such a split is probably too academic as the fees actually come from the properties being managed.

All told, the table below summarizes our modified EBITDA projection used for equity valuation.

<u>CGP - RWP Modified EBITDA Projection</u>	<u>Estimated Range</u>		
c-1 Run-Rate Adjusted EBITDAM (pro forma), as shown above	\$265.3	-	\$273.4
Pro Forma Adjustments for Development Projects			
c-2 Recovery from the Linq and The Quad Construction Disruption	\$14.0	-	\$25.0
c-3 Benefit from the Completion of The Quad Renovation	\$31.0	-	\$47.0
c-4 Benefit from the Completion of The Cromwell Project	\$40.0	-	\$50.0
c-5 Less: CEOC's Share of Management Fees	(\$23.0)	-	(\$24.0)
c-6 Modified Run-Rate Adjusted EBITDA (pro forma)	\$327.3	-	\$371.4
EBITDA Breakdown for Valuation			
c-7 2013 Run-Rate excluding Management Fees	\$219.3	-	\$225.4
c-8 Developments (w/ Future Timeline)	\$85.0	-	\$122.0
c-9 Management Fees (CGP's Portion)	\$23.0	-	\$24.0
Total	\$327.3	-	\$371.4



- **Revised Valuation of CACQ Equity**

Our revised valuation of CACQ equity is tabulated below. As noted, most of the revisions are related to the Company's casino operations while the valuation of its CIE business is more or less unchanged. In addition, cash and debt used in the valuation are pro forma reflecting the asset acquisition and near term cash usage. In summary, our revised calculation shows that CACQ may be worth \$11.00 - \$11.95 per share.

<u>CACQ – Revised Equity Valuation</u>	<u>EBITDA Range</u>	<u>Multiple</u>	<u>Discount</u>	<u>Valuation Range</u>	
Enterprise Value					
Caesars Interactive Entertainment (CIE)					
Social & Mobile Gaming	\$97.1	11.5 x		\$1,117	
Online Real Money Gaming (see report)				\$749	
Sub-Total				\$1,866	
CGP's Portion of CIE (90.2%)				\$1,683	
Casino Properties & Developments					
Existing Casino Properties (Line c-7, Page 3)	\$219.3	- \$225.4	9.0 x	\$1,974 - \$2,029	
Development Properties					
The Quad (lines c-2, c-3, page 3)	\$45.0	- \$72.0	9.0 x	0.71	\$286 - \$457
The Cromwell (lines c-4, page 3)	\$40.0	- \$50.0	9.0 x	0.81	\$292 - \$365
Horseshoe Baltimore (52%, see report)				\$119	
Subtotal				\$696 - \$941	
50% Management Fee (Line c-9, page 3)	\$23.0	- \$24.0	13.0 x	\$299 - \$312	
Total Casino Properties & Developments				\$2,969 - \$3,281	
Total Enterprise Value				\$4,652 - \$4,964	
Other Assets					
CEO/C Notes (see report)				\$708	
Cash & Adjustments					
Cash at CGP (as of December 31, 2013)				\$992	
Repayment of PHW Credit (8-K, April 10)				(\$495)	
Pre-Funded Capex at The Quad (8-K, April 10)				(\$100)	
Completion Funds for The Cromwell (8-K, April 10)				(\$116)	
Fees & Expenses				(\$78)	
Pro Forma Cash				\$203	
Debt (8-K, April 10)				(\$2,042)	
Sub-Total				(\$1,131)	
Implied Value of CGP Equity				\$3,521 - \$3,834	
CACQ's Portion of CGP (42.4%)				\$1,493 - \$1,625	
Implied Value of CACQ Stock (135.8 mm shares)				\$11.00 - \$11.97	



- **Recent Business Developments**

Summarized below are two recent business project announcements which we think CZR may pursue through CGP.

- South Korean JV Approved

On March 17, CZR announced that LOCZ Korea Corporation, a joint venture between Caesars and Lippo Group (Indonesia), has received preliminary approval from the South Korean Ministry of Culture, Sport and Tourism to include foreign-only casino gaming in its planned integrated resort in Incheon, South Korea. It is the first South Korean casino license given to foreign investors, though a final approval is pending. The consortium plans to spend \$696 million to open a foreign-only casino by 2018 (the year Korea will host the 2018 Winter Olympics). It plans to finish construction of the planned resort complex by 2023.

According to Bloomberg News, the South Korean government wants to draw 10 million Chinese visitors a year by 2020, compared to 4.3 million in 2013. Chinese visitors made up 36 percent of foreign visitors to South Korea in 2013, and accounted for 41% of visits to the country's casinos in 2012, according to the latest official data.

- New York Gaming License

CZR recently announced its plan to pursue a license to develop a resort casino in Woodbury, New York. The Company has reached a preliminary agreement on key terms for a ground lease on land in Woodbury. The proposed world-class luxury resort is planned to be situated on 121 acres of land in Orange County, adjacent to the Harriman Metro North station and Woodbury Common Premium Outlets. Caesars will pursue acceptable financing for the proposed project.

According to Simon Property Group (which owns Woodbury Common Premium Outlets), Woodbury Common is one of the largest shopping complex in the U.S. with over 13 million visitors each year.

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Caesars Acquisition Corporation (CACQ)

Equity Research

May 7, 2014

Adam Krejcek, 714-769-9156

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CACQ: Earnings Analysis

Rating: Neutral

PT: \$12.00

Stock Data					
	2013	2014E	2015E		
		Curr	Prev	Curr	Prev
Stock Price		\$13.91			
52 Week Low - High		\$10.34-\$16.98			
Shares Out (mil)		135.8			
Market Cap (mil)		\$1,889			
3-Mo. Avg. Vol		622,664			
Cash (mil)		\$994.0			
Debt (mil)		\$592.0			

Revenue (\$ millions)					
	2013	2014E	2015E		
		Curr	Prev	Curr	Prev
1Q	\$151.6	\$226.3	NA	\$321.4	NA
2Q	\$156.6	\$205.9	NA	\$322.7	NA
3Q	\$162.4	\$247.3	NA	\$331.1	NA
4Q	\$183.9	\$295.3	NA	\$347.7	NA
Year	\$654.5	\$974.8	NA	\$1,323.0	NA

EPS (\$)					
	2013	2014E	2015E		
		Curr	Prev	Curr	Prev
1Q	\$0.03	-\$0.19	NA	\$ 0.81	NA
2Q	\$0.31	\$0.55	NA	\$ 0.71	NA
3Q	\$0.30	\$0.60	NA	\$ 0.75	NA
4Q	-\$0.93	\$0.68	NA	\$ 0.75	NA
Year	-\$0.30	\$1.63	NA	\$ 3.01	NA
P/E	NA	NA	NA	NA	NA

Note: Revenue & EPS are Non-GAAP & adj. for non-recurring items. Please see attached model for details



Source: ThomsonOne

CACQ: 1Q14 Earnings Summary; Strong Social Casino Growth

Caesars Acquisition Corporation (CACQ) reported its 1Q14 financial results earlier today. Interactive Entertainment segment revenues came in ahead of our estimates driven by strong social casino revenue growth, which included the acquisition of Pacific Interactive. Casino Property & development segment revenues were also above our expectations due improved RevPar and Entertainment revenues. Adjusted EBITDA was roughly in-line as higher than expected sales & marketing expenses related to CIE's iGaming business in New Jersey offset revenue upside.

Key highlights:

- Caesars Interactive Entertainment – social & mobile game division had a very strong quarter with total gross revenues increasing +28% q/q to \$115.7 million. According to management roughly 2/3rd of the sequential growth was organic, while was 1/3rd was due to the inclusion of Pacific Interactive.
- Caesars Interactive Entertainment – WSOP & real-money gaming division was up only +93.2% q/q to \$8.5 million in 1Q14, but below our \$13.1 million estimate. This reflects the slower than expected ramp-up in NJ and NV and likely higher than expected revenue share with its technology partner (888 Holdings).
- Adjusted EBITDA for Caesars Interactive (social & real-money) in 1Q14 was \$30.3 million (24.4% margin) vs. \$20.6 million (30% margin) in the prior year period and slightly below our \$31.6 million estimate. The y/y decline in EBITDA margins largely reflects iGaming sales & marketing expenses and higher player acquisition costs related to its social & mobile gaming business.
- Caesars Casino property revenues (Planet Hollywood, Las Vegas) generated record revenues of \$102.1 million in 1Q14 or +23% y/y. The y/y increase and upside relative to our estimate was due to improved RevPar and higher Entertainment revenues (i.e. Britney Spears concerts).
- Adjusted EBITDA for Caesars property & development segment was \$26.1 million (25.6% margin) vs. \$21.9 million last year and above our \$23.8 million estimate.
- Management indicated on the conference call that it remains comfortable with its capital structure and will continue to aggressively pursue M&A opportunities for both its Interactive and Casino Property businesses.

We will update our estimates after CACQ files its 10-Q. We maintain our Neutral rating and \$12 price-target.

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Caesars Growth Partners – Actual vs. Estimate

In the table below we highlight CGPs 1Q14 actual results versus our estimates. Overall social performed much better than expected due 1) strong organic growth at Playtika & Buffalo Studios – likely due to mobile revenue upside 2) greater than expected contribution from Pacific Interactive. Real-money online gaming underperformed relative to our estimates as the market has been slow to develop in both New Jersey and Nevada – during the conference call management indicated they were still optimistic about the growth potential of NJ, especially once payment processing improves. Additionally, Caesars will continue to aggressively lobby in favor of iGaming in other states and Mitch Garber (CEO) indicated he remained enthusiastic about potential regulation in states such as CA and PA.

	1Q14	
in millions	Actual	Estimate
<i>Interactive Entertainment</i>		
Social & mobile games	115.7	99.6
WSOP & online real money gaming	8.5	13.1
Total interactive revenue	\$124.2	\$112.7
<i>Casino Properties & Development</i>		
Casino	46.9	44.8
Food & beverage	24.9	24.6
Rooms	27.8	24.3
Other	16.2	7.8
Less: casino promotional allowances	(13.7)	-13.2
Total casino property revenue	\$102.1	\$88.3
Net Revenue	\$226.3	\$201.0
<i>Operating Expenses</i>		
<i>Interactive entertainment - direct</i>		
Platform fees (social)	35.3	35.1
<i>Properties & Development- direct</i>		
Casino	20.9	20.4
Food & beverage	12.0	10.7
Rooms	7.7	6.8
Property, general, administrative, and other	121.8	90.4
Depreciation & amortization	13.6	12.7
Change in fair value contingent consideration	76.8	0.0
Total operating expenses:	288.1	176.2
Adjusted EBITDA		
Interactive Entertainment	30.3	31.6
Properties and Development	26.1	23.8
Other	-0.8	0.0
Total	\$56.4	\$55.4

Source: company reports, SEC filings, Eilers Research, LLC

Caesars Interactive Entertainment – Key Metrics

In the table below we highlight KPIs for CIE's social casino business. We estimate Pacific Interactive contributed ~\$8 million in gross revenues and would have contributed ~\$16 million had it been a full-quarter contribution – implying annual run-rate of \$64 million. We note, MUPs increased +194% q/q to 511k resulting in payer conversion rate of 2.94% vs. 1.65% last qtr. Avg booking per MUP was down -43% q/q likely reflecting fewer "whales" in Pacific Interactive games.

	1Q14	
	Actual	Estimate
Social & Mobile Game Revenue	\$ 115.7	\$ 99.6
q/q growth	28%	10%
y/y growth	74%	50%
DAUs	5,704	5,324
MAUs	19,597	18,266
MUUs	17,370	15,965
MUPs	511	264
ARPDAU	\$0.24	\$0.21
ARMUP	\$75.47	\$125.74
Payer conversion rate (MUP/MUU)	2.94%	1.7%
Player stickiness (DAU/MAU)	29%	29%

Source: company reports, SEC filings, Eilers Research, LLC

Caesars Growth Partners

Digital & Interactive Gaming

Income Statement	FY11	FY12	1Q13	2Q13	3Q13	4Q13	FY13	1Q14E	2Q14E	3Q14E	4Q14E	FY14E	1Q15E	2Q15E	3Q15E	4Q15E	FY15E
USD \$ in millions																	
Income Statement																	
<i>Interactive Entertainment</i>																	
Social & mobile games	53.9	193.3	66.6	70.7	74.7	90.7	302.7	99.6	101.9	105.5	110.4	417.3	114.9	119.5	124.2	128.2	486.8
WSOP & online real money gaming	12.6	14.4	2.0	3.3	4.2	4.4	13.9	13.1	14.8	16.6	18.5	63.0	20.3	21.1	21.9	25.7	89.0
Total interactive revenue	66.5	207.7	68.6	74.0	78.9	95.1	316.6	112.7	116.7	122.1	128.8	480.3	135.2	140.6	146.1	153.9	575.8
<i>Casino Properties & Development</i>																	
Casino	167.3	171.2	44.8	39.8	42.1	44.8	171.5	44.8	39.8	81.9	124.3	290.8	134.3	139.3	143.3	149.2	566.1
Food & beverage	68.4	69.7	21.4	21.6	21.9	22.6	87.5	24.6	24.8	26.3	28.3	104.0	29.5	29.8	30.2	32.5	122.1
Rooms	94.1	91.9	23.6	26.0	24.1	26.5	100.2	24.3	26.8	24.8	27.3	103.2	24.8	27.3	25.3	27.8	105.2
Other	25.0	21.1	6.2	7.4	7.2	7.5	28.3	7.8	9.3	9.0	9.3	35.3	9.3	11.1	10.4	10.7	41.5
Less: casino promotional allowances	(48.6)	(50.2)	(13.0)	(12.2)	(11.8)	(12.5)	(49.5)	(13.2)	(13.1)	(18.5)	(24.6)	(69.3)	(25.7)	(27.0)	(27.2)	(28.6)	(108.5)
Total casino property revenue	306.2	303.7	83.0	82.6	83.5	88.8	337.9	88.3	87.6	123.5	164.6	464.0	172.2	180.5	182.0	191.6	726.3
Net Revenue	372.7	511.4	151.6	156.6	162.4	183.9	654.5	201.0	204.3	245.6	293.5	944.3	307.4	321.1	328.1	345.5	1,302.1
Operating Expenses																	
<i>Interactive entertainment - direct</i>																	
Platform fees (social)	16.3	62.6	21.1	22.0	23.3	28.4	94.8	31.2	31.9	33.0	34.6	130.7	36.0	37.4	38.9	40.1	152.4
Platform fees (iGaming)								3.9	4.4	5.0	5.5	18.9	6.1	6.3	6.6	7.7	26.7
<i>Properties & Development- direct</i>																	
Casino	76.9	79.2	19.2	16.7	18.7	20.2	74.8	20.4	17.7	26.4	35.8	100.4	36.4	33.8	36.2	38.8	145.2
Food & beverage	32.1	33.2	10.1	10.4	11.3	11.7	43.5	10.7	11.0	15.5	20.0	57.2	17.5	20.0	20.1	20.4	78.0
Rooms	27.6	26.7	6.4	6.7	6.8	7.4	27.3	6.8	7.1	10.1	13.8	37.8	13.3	14.6	14.8	16.1	58.8
Property, general, administrative, and other	128.3	189.0	56.8	67.4	60.5	102.6	287.3	90.4	87.8	103.2	117.4	398.8	122.9	138.1	134.5	145.1	540.7
Depreciation & amortization	29.6	32.2	10.4	10.4	11.5	11.6	43.9	12.7	12.9	15.5	18.5	59.6	19.4	20.3	20.7	21.8	82.1
Change in fair value contingent consideration			52.4	(3.5)	-	142.7	191.6	-	-	-	-	-	-	-	-	-	-
Total operating expenses:	310.8	422.9	176.4	130.1	132.1	324.6	763.2	176.2	172.9	208.6	245.6	803.3	251.6	270.5	271.8	290.0	1,083.9
Operating Income	61.9	88.5	(24.8)	26.5	30.3	(140.7)	(108.7)	24.8	31.4	37.0	47.9	141.0	55.8	50.6	56.3	55.5	218.2
Interest expense, net of interest capitalized	(39.9)	(41.7)	(10.1)	(10.2)	(15.8)	(15.5)	(51.6)	(15.5)	(15.5)	(15.5)	(15.5)	(62.0)	(15.5)	(15.5)	(15.5)	(15.5)	(62.0)
Income from equity method investment in Growth	(2.6)																
Interest income - related party	123.7	145.1	40.6	42.5	44.9	46.3	174.3	46.3	46.3	46.3	46.3	185.2	46.3	46.3	46.3	46.3	185.2
Other income, net	0.1	1.9	0.2	0.1	(0.3)	(1.3)	(1.3)	-	-	-	-	-	-	-	-	-	-
Income before taxes	143.2	193.8	5.9	58.9	59.1	(111.2)	12.7	55.6	62.2	67.8	78.7	264.2	86.6	81.4	87.1	86.3	341.4
Provision for income taxes	(50.7)	(66.4)	(1.7)	(17.4)	(18.5)	(15.3)	(52.9)	7.6	8.6	9.3	10.8	36.4	11.9	11.2	12.0	11.9	47.0
Net income (loss)	92.5	127.4	4.2	41.5	40.6	(126.5)	(40.2)	63.2	70.7	77.1	89.5	300.6	98.5	92.6	99.1	98.2	388.4
Non controlling income	(8.0)	(0.6)	2.1	(1.0)	3.2	5.4	9.7	-	-	-	-	-	-	-	-	-	-
Net income attributable to Growth Partners	84.5	126.8	6.3	40.5	43.8	(121.1)	(30.5)	63.2	70.7	77.1	89.5	300.6	98.5	92.6	99.1	98.2	388.4
Earnings per share																	
- Basic	\$ 0.68	\$ 0.94	\$ 0.03	\$ 0.31	\$ 0.30	\$ (0.93)	\$ (0.30)	\$ 0.47	\$ 0.52	\$ 0.57	\$ 0.66	\$ 2.21	\$ 0.73	\$ 0.68	\$ 0.73	\$ 0.72	\$ 2.86
- Diluted	\$ 0.68	\$ 0.94	\$ 0.03	\$ 0.31	\$ 0.30	\$ (0.93)	\$ (0.30)	\$ 0.47	\$ 0.52	\$ 0.57	\$ 0.66	\$ 2.21	\$ 0.73	\$ 0.68	\$ 0.73	\$ 0.72	\$ 2.86
Weighted average shares outstanding																	
- Basic	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	
- Diluted	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	
Adjusted EBITDA																	
Interactive Entertainment	27.8	76.2	20.6	20.1	29.8	26.6	97.1	31.6	32.7	35.4	37.4	137.0	39.2	42.2	43.8	47.7	172.9
Properties and Development	74.5	69.1	21.9	22.2	13.6	26.0	83.7	23.8	23.6	24.7	39.5	111.7	41.3	45.1	47.3	53.7	187.4
Total	102.3	145.3	42.5	42.3	43.4	52.6	180.8	55.4	56.3	60.1	76.9	248.7	80.5	87.3	91.2	101.4	360.4
Earnings analysis	FY11	FY12	1Q13	2Q13	3Q13	4Q13	FY13	1Q14E	2Q14E	3Q14E	4Q14E	FY14E	1Q15E	2Q15E	3Q15E	4Q15E	FY15E
EBITDA Margin analysis																	
Interactive Entertainment	41.8%	36.7%	30.0%	27.2%	37.8%	28.0%	30.7%	28.0%	28.0%	29.0%	29.0%	28.5%	29.0%	30.0%	30.0%	31.0%	30.0%
Properties and Development	24.3%	22.8%	26.4%	26.9%	16.3%	29.3%	24.8%	27.0%	27.0%	20.0%	24.0%	24.1%	24.0%	25.0%	26.0%	28.0%	25.8%
Total Adjusted EBITDA Margin	27.4%	28.4%	28.0%	27.0%	26.7%	28.6%	27.6%	27.6%	27.6%	24.5%	26.2%	26.3%	26.2%	27.2%	27.8%	29.3%	27.7%

Source: company reports, SEC filings, Eilers Research, LLC

Note: this model has not been updated to reflect 1Q14 financial results. We will update it & our estimates following CACQ's 10-Q filing.



Caesars Acquisition Corporation (CACQ)

Equity Research

May 12, 2014

Adam Krejcek, 714-769-9156

akrejcik@eilersresearch.com

CACQ: Earnings Analysis

Rating: Neutral

PT: \$12.00

Stock Data					
Stock Price					\$13.34
52 Week Low - High					\$10.34-\$16.98
Shares Out (mil)					135.8
Market Cap (mil)					\$1,811
3-Mo. Avg. Vol					535,994
Cash (mil)					\$972.6
Debt (mil)					(\$2,788)

Revenue (\$ millions)					
	2013	2014E		2015E	
		Curr	Prev	Curr	Prev
1Q	\$151.6	\$226.3A	\$226.3A	\$655.1	\$321.4
2Q	\$156.6	\$415.6	\$205.9	\$701.1	\$322.7
3Q	\$162.4	\$517.3	\$247.3	\$719.6	\$331.1
4Q	\$183.9	\$609.1	\$295.3	\$730.9	\$347.7
Year	\$654.5	\$1,768.4	\$974.8	\$2,806.7	\$1,323.0

Adj EBITDA (\$)					
	2013	2014E		2015E	
		Curr	Prev	Curr	Prev
1Q	\$42.5	\$56.4A	\$56.4A	\$145.1	\$80.5
2Q	\$42.3	\$85.9	\$56.3	\$156.4	\$87.3
3Q	\$43.4	\$115.1	\$30.1	\$160.5	\$91.2
4Q	\$52.6	\$135.4	\$76.9	\$165.1	\$101.4
Year	\$180.8	\$392.8	\$248.7	\$627.1	\$360.4

Note: Revenue & EPS are Non-GAAP & adj. for non-recurring items. Please see attached model for details



Source: ThomsonOne

CACQ: Updating Estimates, Outlook & Valuation

Caesars Acquisition Corporation filed its 10-Q yesterday - we are updating our financial estimates and sum of the parts valuation for Caesars Growth Partners (CGP). Recall, Caesars Acquisition Company (CACQ) was formed to purchase the voting rights of CGP, a casino asset and entertainment company. CACQ raised gross proceeds of \$1.17 billion (135.8 million shares at \$8.64) through a rights offering that closed on November 18, 2013. CGP's primary assets include: 100% ownership in Planet Hollywood, 41% ownership in Horseshoe Baltimore Casino, a debt portfolio (CEO Notes), and 76% pro-forma interest in Caesars Interactive (CIE). More recently, CGP acquired Bally's Las Vegas, The Cromwell, The Quad and Harrah's New Orleans (pending final regulatory approval) from Caesars Entertainment (CZR) (CZR owns 57.6% interest in CGP), for a purchase price of \$2.2 billion, including assumed debt of \$185 million and committed project capital expenditures of \$223 million.

Key updates:

- Caesars Interactive Entertainment – we are increasing our social & mobile game division estimates to account for strong 1Q14 results and inclusion of Pacific Interactive (acquired in Feb-2014). Social casino continues to outperform relative to our expectations; as such we are increasing our valuation assumptions for this business.
- Caesars Interactive Entertainment – we are reducing our estimates for WSOP & real-money gaming division to reflect weaker than expected 1Q14 results and lower than expected market growth (i.e. NJ and NV). We are also reducing our valuation assumptions for this business to take into account our more conservative iGaming market outlook and profitability forecast.
- Caesars Properties & Development – we estimate the four new properties acquired from CZR will contribute adj. EBITDA of \$181-\$251 million in year-1; implying a purchase price of 9-12x EBITDA.
- Capital structure – CEOC notes receivable were valued at \$973 at the end of 1Q14 and we estimate CGP's total net debt outstanding (including \$2.2bln for casino properties) is now \$1.8bln.
- Litigation risk – first and second lien holders of CEOC have filed a lawsuit questioning the legality of recent asset transfers. While CZR believe there is no merit to these allegations, we believe one potential risk/outcome is equity dilution for CACQ shareholders.
- Our sum of the parts valuation implies fair value for shares of CACQ at ~\$12. We are maintaining our Neutral rating.

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CGP - Sum of the Parts Valuation

In the table below we provide an updated sum of the parts analysis – the midpoint of our valuation range implies a fair equity value of ~\$12 per share. CIE's social & mobile game business continues to outperform; however, these businesses tend to trade at relatively modest valuations (i.e. King Digital Entertainment is trading for 4x EBITDA), while iGaming has been a disappointment to date causing us to reduce our valuation assumptions for this business. Finally, we remind investors that the upside in CACQ is capped at \$16.88/share (25% compounded annual return over 3-yrs), with a forced liquidation after 8.5 years.

CGP Equity Valuation (\$ in M)	Low-end	Mid-Point	High-end
Casino Properties & Assets			
Planet Hollywood (100% ownership)	\$704	\$792	\$880
Baltimore Maryland (adj. 41% ownership)	\$267	\$379	\$492
Properties acquired from CZR*	\$2,200	\$2,200	\$2,200
Total Enterprise Value	\$3,171	\$3,371	\$3,572
CIE			
Social & Mobile Games	\$1,062	\$1,256	\$1,451
RMG & WSOP	\$394	\$611	\$829
Total	\$1,455	\$1,868	\$2,280
CIE pro-forma (76% ownership)	\$1,106	\$1,419	\$1,733
Balance Sheet items			
Cash + ST Investments	\$973	\$973	\$973
Less debt (PH, CIE)	(\$499)	(\$499)	(\$499)
Less debt (adj. 41% of BM)	(\$89)	(\$89)	(\$89)
Less debt for CZR property acquisition*	(\$2,200)	(\$2,200)	(\$2,200)
CGP Net Cash	(\$1,816)	(\$1,816)	(\$1,816)
CEO Notes Receivable	\$973	\$973	\$973
Total Equity Value of CGP	\$3,434	\$3,948	\$4,462
Adj. CACQ ownership in CGP (42.4%)	\$1,456	\$1,674	\$1,892
s/o outstanding	135.8	135.8	135.8
Per share value to CACQ	\$10.72	\$12.33	\$13.93

Bally's Las Vegas, The Cromwell, The Quad and Harrah's New Orleans to Caesars Growth Partners

Source: Eilers Research, LLC

Casino Properties & Assets:

- Planet Hollywood, Las Vegas (100% ownership) generated TTM revenues of \$357 million (+15% y/y) and adjusted EBITDA of \$88 million (25% margin). We apply an 8-10x multiple to TTM EBITDA to derive our valuation range.
- Baltimore Horseshoe, Maryland is expected to open in 3Q14 and CGP owns 41% stake. Once this property matures we believe it can generate \$394-\$471 million in revenues and EBITDA of \$79-\$118 million. We apply an 8-10x EBITDA multiple and then adjust for CGP's 41% ownership to derive a fair valuation range for this property.
- We assume the four new properties acquired from CZR to be valued at \$2.2bln, in-line with total implied purchase price.

Caesars Interactive Entertainment:

- Given the inherent differences between social (free-to-play) and real-money online gaming we believe it's prudent to separate these two business divisions and apply separate valuation multiples.
- Social & mobile games: CIE generated TTM revenue of \$352 million (+61% y/y) and adjusted EBITDA of \$107 million (30% margin). For CY14 we estimate gross revenue of \$514 million and EBITDA of \$154 million (30% margin). We apply 8-10x EBITDA multiple and then adjust for CGP's 76% pro-forma ownership in CIE to derive a fair value for this business division.
- Real-money online gaming & WSOP: We use CY20 revenue and EBITDA estimates, as we believe it will take at least 6-years before the regulated market for iGaming in the U.S. becomes meaningful and then discount back 5-years for a NPV. We apply a 10-15x EBITDA multiple then adjust for CGP's 76% pro-forma ownership in CIE to derive a fair value for this business division.

Caesars Interactive Entertainment

Caesars Growth Partners owns approximately 90.2% of the outstanding shares of CIE's common stock, which may be reduced to approximately 84.5% upon conversion of the \$47.7 million convertible promissory note issued by CIE to Rock Gaming Interactive LLC. After Rock Gaming exercises the convertible promissory note, and after giving effect to other options, restricted stock, and warrants that are exercisable, Caesars Growth Partners will own approximately 76% of CIE on a fully-diluted basis. CIE consists of two distinct business divisions: 1) Social & Mobile Games and 2) Real-Money Online Gaming & WSOP.

Social and Mobile Gaming

Social & mobile game revenues reached a record \$115.7 million (+28% q/q, +74% y/y) in 1Q14 vs. our estimate of \$100 million. The upside relative to our estimate was largely due to organic growth from Playtika (*Slotomania*), Buffalo Studios (*Bingo Blitz*) and the inclusion of Pacific Interactive (acquired in Feb-2014), which we estimate added ~\$8 million in revenues this quarter. Note, Caesars is no longer providing a detailed breakdown of KPIs for both mobile & web performance – 1Q14 mobile/web metrics below are based on our best estimates.

1Q14 highlights:

- Total DAUs increased to 5.7 million (+23% q/q, +8% y/y); per 10-Q Pacific Interactive contributed roughly 770k DAUs. We estimate mobile DAUs at 3 million (+25% q/q) and web DAUs at 2.7 million (+21% q/q).
- Total MAUs increased to 19.6 million (+23% q/q, +11% y/y); per 10-Q Pacific Interactive contributed roughly 3 million MAUs. We estimate mobile MAUs reached 10.4 million and web MAUs reached 9.2 million. Monthly unique users (MUUs) increased +25% q/q to 17.4 million, and monthly unique payers (MUPs) increased +122% q/q to 511k. We believe the significant sequential increase in monthly unique payers reflects the acquisition of Pacific Interactive and increasing focus on paying player conversion.
- Player stickiness ratio (DAU/MAU) was constant at 29%, while paying player conversion rate (MUP/MUU) improved dramatically to 2.94% from 1.65% last quarter, which reflects the increase in MUPs.
- Average revenue per DAU increased +14% q/q to \$0.24, while average revenue per MUP declined to \$75 vs. \$131 last quarter and \$113 in the prior year period. The decline likely reflects lower monetization rates among Pacific Interactive MUPs.

Social & Mobile Games Revenue Forecast

Social Gaming calculations	FY11	FY12	1Q13	2Q13	3Q13	4Q13	FY13	1Q14	2Q14E	3Q14E	4Q14E	FY14E	1Q15E	2Q15E	3Q15E	4Q15E	FY15E
Total Social/Mobile Revenue (F2P)	\$53.9	\$193.3	\$66.6	\$70.7	\$74.7	\$90.7	\$302.7	\$115.7	\$128.2	\$132.6	\$137.3	\$513.9	\$141.6	\$146.1	\$149.9	\$153.9	\$591.4
Web	\$51.1	\$108.2	\$34.0	\$36.3	\$39.0	\$47.6	\$156.9	\$58.9	\$58.9	\$58.3	\$57.7	\$233.7	\$57.1	\$56.4	\$55.8	\$55.2	\$224.5
Mobile	\$2.8	\$85.1	\$32.6	\$34.4	\$35.7	\$43.1	\$145.8	\$66.1	\$69.4	\$74.3	\$79.7	\$289.4	\$84.5	\$89.6	\$94.1	\$98.7	\$366.9
Avg DAUs (000s)	1,965	4,727	5,259	4,952	4,803	4,638	4,913	5,704	5,855	5,932	6,020	5,878	6,084	6,156	6,198	6,245	6,171
Web	1,955	3,496	3,106	2,816	2,549	2,221	2,673	2,687	2,687	2,607	2,529	2,628	2,453	2,379	2,308	2,239	2,345
% chg q/q		-5%	-9%	-9%	-13%			21%	0%	-3%	-3%		-3%	-3%	-3%	-3%	
% chg y/y		79%	-16%	-25%	-22%	-32%		-24%	-13%	-5%	2%	14%	-2%	-9%	-11%	-11%	-11%
Mobile	40	1,231	2,153	2,136	2,254	2,417	2,240	3,016	3,167	3,326	3,492	3,250	3,632	3,777	3,890	4,007	3,826
% chg q/q		16%	-1%	6%	7%			25%	5%	5%	5%		4%	4%	3%	3%	
% chg y/y		2978%	305%	102%	53%	30%		82%	40%	48%	48%	44%	45%	20%	19%	17%	15%
Avg MAUs (000s)	7,185	17,263	17,695	16,962	16,354	15,913	16,731	19,597	20,116	20,383	20,685	20,195	20,905	21,151	21,295	21,458	21,202
Web	7,118	12,583	10,488	9,838	8,433	7,569	9,082	9,233	9,233	8,956	8,688	9,028	84,27.17	8,174	7,929	7,691	8,055
Mobile	270	4,680	7,207	7,124	7,921	8,344	7,649	10,364	10,882	11,426	11,998	11,167	12,477	12,977	13,366	13,767	13,147
Avg MUUs (000s)	NA	15,807	16,052	14,941	14,615	13,908	14,879	17,370	17,581	17,815	18,079	17,711	18,271	18,486	18,612	18,754	18,531
Avg MUPs (000s)	79	200	196	186	200	230	203	511	517	524	532	521	537	544	548	552	545
MUU/MAU		92%	91%	88%	89%	87%	89%	87%	87%	87%	87%	88%	87%	87%	87%	87%	87%
Player stickiness (DAU/MAU)	27%	27%	30%	29%	29%	29%	29%	29%	29%	29%	29%	29%	29%	29%	29%	29%	29%
Paying player conversion rate (MUP/MUU)	NA	1.26%	1.22%	1.24%	1.37%	1.65%	1.36%	2.94%	2.94%	2.94%	2.94%	2.94%	2.94%	2.94%	2.94%	2.94%	2.94%
ARPU	\$0.076	\$0.114	\$0.140	\$0.160	\$0.170	\$0.210	\$0.170	\$0.240	\$0.240	\$0.245	\$0.250	\$0.244	\$0.255	\$0.260	\$0.265	\$0.270	\$0.263
Web	\$0.073	\$0.086	\$0.120	\$0.140	\$0.170	\$0.210	\$0.160	\$0.240	\$0.240	\$0.245	\$0.250	\$0.244	\$0.255	\$0.260	\$0.265	\$0.270	\$0.263
Mobile	\$0.750	\$0.160	\$0.170	\$0.180	\$0.170	\$0.200	\$0.180	\$0.240	\$0.240	\$0.245	\$0.250	\$0.244	\$0.255	\$0.260	\$0.265	\$0.270	\$0.263
Avg Monthly Revenue Per Paying Player	\$57	\$81	\$113	\$127	\$125	\$131	\$124	\$75	\$83	\$84	\$86	\$82	\$88	\$90	\$91	\$93	\$90
% of Total Revenue	95%	56%	51%	51%	52%	52%	52%	51%	46%	44%	42%	45%	40%	39%	37%	36%	38%
Web	5%	44%	49%	49%	48%	48%	48%	57%	54%	56%	58%	56%	60%	61%	63%	64%	62%
Q/Q revenue growth			31.1%	6.2%	5.7%	21.4%		27.6%	10.8%	3.4%	3.6%		3.1%	3.2%	2.6%	2.7%	
Total			28.8%	6.8%	7.4%	22.1%		23.6%	0.0%	-1.0%	-1.0%		-1.1%	-1.1%	-1.1%	-1.2%	
Web			33.6%	5.5%	3.8%	20.7%		53.3%	5.0%	7.2%	7.1%		6.1%	6.0%	5.0%	4.9%	
Y/Y revenue growth			258.6%	61.3%	42.8%	44.5%	78.5%	56.6%	73.7%	81.4%	77.5%	51.4%	69.8%	22.4%	13.9%	13.0%	12.0%
Total			111.7%	26.4%	33.0%	41.3%	80.3%	45.0%	73.1%	62.1%	49.4%	21.2%	48.9%	-3.0%	-4.1%	-4.2%	-4.4%
Web			2939.3%	126.4%	55.0%	48.1%	76.6%	71.3%	102.6%	101.6%	108.3%	84.8%	98.5%	27.9%	29.2%	26.5%	23.9%
Mobile																	26.8%

Source: SEC filings, Eilers Research, LLC

Key assumptions going forward include a decline in web users starting in 3Q14, offset by continued sequential growth in mobile users throughout CY14 / CY15. The decline in web users reflects the maturity and saturation of Facebook desktop canvas, while growth in mobile reflects strong secular trends (i.e. increased adoption of smartphones/tablets, growing acceptance of F2P model, and popularity of social casino genre). We assume ARPDAU improves on both web and mobile, while paying player conversion rates remain stable. Based on our quarterly "Social Casino Tracker" we believe CIE remains the largest social casino game publisher worldwide and we don't expect this trend to change anytime soon.

CIE Valuation (Social/Mobile Games)		
\$ in millions	Low end	high-end
Social & Mobile Game Revenues in CY14	\$514	\$514
EBITDA in CY14	\$144	\$164
margin	28%	32%
Revenue CAGR (2012-2015E)	39%	39%
EBITDA CAGR (2012-2015E)	24%	29%
P/S Multiple	2x	3x
Valuation	\$1,028	\$1,542
EBITDA multiple	8x	10x
Valuation	\$1,151	\$1,644
Blended valuation average	\$1,089	\$1,593
CGP ownership adjustment (76%)	\$828	\$1,211

Source: SEC filings, Eilers Research, LLC

WSOP and Real-Money Online Gaming

WSOP & real-money gaming division was up +93.2% q/q to \$8.5 million in 1Q14, but below our \$13.1 million estimate. This reflects the slower than expected ramp-up in NJ, NV and likely higher than expected revenue share with its technology partner (888 Holdings). During the Company's earnings call management indicated they were still optimistic about the growth potential of NJ, especially once payment processing improves. Additionally, Caesars will continue to aggressively lobby in favor of iGaming in other states and Mitch Garber (CEO) indicated he remained enthusiastic about potential regulation in CA and PA. Despite management's optimism we are taking a far more conservative approach and significantly reducing our U.S iGaming revenue/EBITDA assumptions for CIE through CY20, which reflects slower NJ/NV ramp-up, no new market openings until CY16, and lower profitability assumptions.

CIE Valuation (RMG & WSOP)		
\$ in millions	CY20	
	Low-end	High-end
Real-Money Gaming & WSOP	\$322	\$394
EBITDA	\$48	\$99
margin	15%	25%
Revenue CAGR (2013-2018E)	72%	79%
EBITDA CAGR (2013-2018E)	118%	151%
P/S Multiple	3x	4x
Valuation	\$967	\$1,576
EBITDA multiple	10x	15x
Valuation	\$484	\$1,478
Blended valuation average	\$725	\$1,527
NPV (discount factor of 13%)	\$394	\$829
CGP Ownership adjustment (76%)	\$299	\$630

Source: SEC filings, Eilers Research, LLC

Casino Property and Development

Caesars Growth Partners portfolio of casino-related assets includes Planet Hollywood, Las Vegas and an investment in a casino project under development in Baltimore, Maryland, the Horseshoe Baltimore (opening in 3Q14). Additionally, CGP has also acquired Bally's Las Vegas, The Cromwell, The Quad and Harrah's New Orleans (pending final regulatory approval) from CZR.

Planet Hollywood

In 1Q14, Planet Hollywood revenues reached a record \$102.1 million (+15% q/q, +23% y/y) and adjusted EBITDA improved to \$26.1 million (25.6% margin). The y/y increase in revenues was largely due to higher RevPar and Other/Entertainment revenues (related to Britney Spears concert series). We believe PH can generate adj. EBITDA in excess of \$100M per year.

Planet Hollywood, NV	CY11	CY12	CY13	CY14E	CY15E	CY16E
Casino	\$167	\$171	\$171	\$206	\$212	\$216
Food & beverage	\$68	\$70	\$88	\$105	\$108	\$110
Rooms	\$94	\$92	\$100	\$120	\$124	\$126
Other	\$25	\$21	\$28	\$34	\$35	\$36
Less: casino promotional allowances	(\$49)	(\$50)	(\$50)	(\$59)	(\$61)	(\$62)
Total casino property revenue	\$306	\$304	\$338	\$405	\$418	\$426
Y/Y Growth	-1%	11%	20%	3%	2%	
Adjusted EBITDA	\$75	\$69	\$84	\$109	\$117	\$119
margin	24%	23%	26%	27%	28%	28%
y/y growth	-7%	21%	31%	7%	2%	

Source: SEC filings, Eilers Research, LLC

Horseshoe Baltimore

Caesars Growth Partners owns an indirect interest in CBAC Gaming, a joint venture with an affiliate of Rock Gaming LLC and other local investors that holds a license to operate a casino in Baltimore. The property is anticipated to be an integrated casino with an 110,000 square-foot floor holding approximately 2,500 video lottery terminals, 100 table games, and 30 poker tables. The project is on track to open in 3Q14 at a cost of ~\$400 million. We did not make any changes to our Horseshoe Baltimore estimates.

Bally's Las Vegas, The Cromwell, The Quad and Harrah's New Orleans

Caesars Growth Partners (CGP) recently announced that it had closed on its deal to acquire Bally's Las Vegas, The Cromwell, The Quad and Harrah's New Orleans (pending final regulatory approval), for a total purchase price of \$2.2 billion, including assumed debt of \$185 million and committed project capital expenditures of \$223 million. Caesars disclosed EBITDA results for these combined properties including both 1Q13 actual results and estimates for 1Q14. Annualizing 1Q14 results implies adj. EBITDA potential of \$156-\$216 million, implying purchase price of 10-14x EBITDA. We note The Cromwell just opened (thus not included in EBITDA projections), including The Cromwell we believe these new properties can generate adjusted EBITDA of \$176-\$246 million in year-1 or purchase price of 9-12x EBITDA. The Cromwell will have 188 all-suite rooms, 66 tables, and 440 slots.

Casino Properties (\$ M)	1Q14E		1Q13 Actual
	Low	High	
Adj EBITDA for acquired properties in operation*	\$38.9	\$53.9	\$43.8
Adj EBITDA annualized	\$155.6	\$215.6	\$175.2
Annual adj EBITDA for The Cromwell (est)	\$25.0	\$35.0	NA
Total adj. EBITDA for four new properties acquired	\$180.6	\$250.6	\$175.2
Total Purchase Price for Casino Properties	\$2,200.0	\$2,200.0	\$2,200.0
EV/EBITDA for new casinos	12.2x	8.8x	12.6x

*Operating properties in 1Q14: Bally's Las Vegas, The Quad and Harrah's New Orleans

Source: SEC filings, Eilers Research, LLC

Investment Risks

Downside risks to our estimates and price-target include:

- **Regulatory risk.** CGP faces regulatory risk in terms of obtaining and maintaining requisite gaming licenses, especially as it relates to real-money online gaming. Notably, regulated iGaming in the U.S. is a new phenomenon and one that has just been approved in certain jurisdictions. Regulations and laws could change in the future and any changes could have a material impact on CIE's operations. CIE will also be required to obtain necessary iGaming licenses in any new states it plans to enter and there can be no assurance that CIE will meet all of the necessary requirements. Additionally, social casino gaming is currently unregulated, any restrictions or regulations for this industry could have a negative impact on CIE's operations
- **Increased competition.** CGP faces intense competition for each business division it operates including: land-based casinos, social & mobile games, and real-money online gaming. For its land based casino properties, Planet Hollywood-Las Vegas primarily competes against other destination strip resorts, and Horseshoe Baltimore will face stiff competition from Maryland Live. For social casino & mobile gaming, which are considered to have relatively low barriers to entry, CIE faces competition from IGT, Zynga, Big Fish Games, SGMS/WMS and High 5 Games, among others. For real-money online gaming CIE faces competition from various land-based casino operators, lottery providers and overseas online gaming companies. Generally speaking, increased competition will likely result in lower than expected growth rates and margin pressure.
- **Real-money online gaming.** In addition to obtaining necessary licenses the other major risks for iGaming include: payment processing (e.g. NJ and NV have both faced problems with players being able to successfully deposit funds into their online accounts due to the reluctance of major financial institutions to recognize the legality of iGaming), geolocation problems (e.g. NV and NJ both rely on geolocation technology to ensure that only players within their respective state can fully access iGaming sites, if this technology fails to meet adequate standards or blocks certain residents it would have an adverse impact on iGaming operations), market sizing & market share (our iGaming market forecasts make a number of assumptions including penetration rates and annual gaming spend by player, additionally, we make various estimates regarding CIE's market share within each state, which could prove to be materially different than actual results).
- **Key employee departures.** CGP is dependent upon a number of key personnel including Mitch Garber (CEO) and executives from Playtika and Buffalo Studios; if these employees were to leave it would likely have a negative impact on CGP's operations.
- **Economic risk.** CGP's business model is largely dependent upon consumer discretionary spending; any material fluctuations in spending activity would likely have a negative impact on overall operations.
- **Parent company risk.** CZR remains under considerable financial stress, as indicated by the high price of its credit default swaps. In the event of any corporate restructuring at CZR, shareholders could face dilution, asset ownership transfer, and litigation.

Caesars Growth Partners

Digital & Interactive Gaming

Income Statement	FY11	FY12	1Q13	2Q13	3Q13	4Q13	FY13	1Q14	2Q14E	3Q14E	4Q14E	FY14E	1Q15E	2Q15E	3Q15E	4Q15E	FY15E
USD \$ in millions																	
<u>Income Statement</u>																	
<i>Interactive Entertainment</i>																	
Social & mobile games	53.9	193.3	66.6	70.7	74.7	90.7	302.7	115.7	128.2	132.6	137.3	513.9	141.6	146.1	149.9	153.9	591.4
WSOP & online real money gaming	12.6	14.4	2.0	3.3	4.2	4.4	13.9	8.5	11.0	12.2	13.5	45.2	14.8	15.4	15.9	18.6	64.7
Total interactive revenue	66.5	207.7	68.6	74.0	78.9	95.1	316.6	124.2	139.2	144.8	150.9	559.1	156.4	161.4	165.8	172.5	656.1
<i>Casino Properties & Development</i>																	
Casino	167.3	171.2	44.8	39.8	42.1	44.8	171.5	46.9	141.7	233.9	286.4	708.8	306.4	341.1	346.1	343.7	1,337.4
Food & beverage	68.4	69.7	21.4	21.6	21.9	22.6	87.5	24.9	64.8	76.3	98.3	264.3	109.9	117.8	122.0	118.0	467.7
Rooms	94.1	91.9	23.6	26.0	24.1	26.5	100.2	27.8	66.8	74.8	97.3	266.7	108.4	108.1	112.2	126.4	455.1
Other	25.0	21.1	6.2	7.4	7.2	7.5	28.3	16.2	44.4	43.2	44.8	148.6	48.6	53.3	56.2	53.7	211.8
Less: casino promotional allowances	(48.6)	(50.2)	(13.0)	(12.2)	(11.8)	(12.5)	(49.5)	(13.7)	(41.3)	(55.7)	(68.5)	(179.1)	(74.5)	(80.6)	(82.8)	(83.4)	(321.4)
Total casino property revenue	306.2	303.7	83.0	82.6	83.5	88.8	337.9	102.1	276.4	372.5	458.3	1,209.3	498.7	539.7	553.8	558.4	2,150.6
Net Revenue	372.7	511.4	151.6	156.6	162.4	183.9	654.5	226.3	415.6	517.3	609.1	1,768.4	655.1	701.1	719.6	730.9	2,806.7
Operating Expenses																	
<i>Interactive entertainment - direct</i>																	
Platform fees (social)	16.3	62.6	21.1	22.0	23.3	28.4	94.8	35.3	39.1	40.5	41.9	156.8	43.2	44.6	45.7	46.9	180.4
Platform fees (iGaming)								3.3	3.7	4.1	11.0	4.4	4.6	4.8	5.6	19.4	
<i>Properties & Development- direct</i>																	
Casino	76.9	79.2	19.2	16.7	18.7	20.2	74.8	20.9	55.9	79.7	99.7	256.1	92.1	101.0	110.2	113.0	416.4
Food & beverage	32.1	33.2	10.1	10.4	11.3	11.7	43.5	12.0	34.8	46.7	55.6	149.1	48.6	59.9	61.1	59.3	228.9
Rooms	27.6	26.7	6.4	6.7	6.8	7.4	27.3	7.7	22.4	30.3	38.4	98.9	37.6	43.8	45.1	46.8	173.3
Property, general, administrative, and other	128.3	189.0	56.8	67.4	60.5	102.6	287.3	121.8	199.5	232.8	268.0	822.1	281.7	294.5	295.0	299.7	1,170.9
Depreciation & amortization	29.6	32.2	10.4	10.4	11.5	11.6	43.9	13.6	25.0	31.1	36.6	106.3	39.4	42.1	43.2	43.9	168.7
Change in fair value contingent consideration			52.4	(3.5)	-	142.7	191.6	76.8	-	-	-	76.8	-	-	-	-	-
Total operating expenses:	310.8	422.9	176.4	130.1	132.1	324.6	763.2	288.1	380.0	464.7	544.2	1,677.0	547.1	590.4	605.2	615.3	2,358.0
Operating Income	61.9	88.5	(24.8)	26.5	30.3	(140.7)	(108.7)	(61.8)	35.6	52.6	64.9	91.3	108.0	110.7	114.4	115.6	448.7
Interest expense, net of interest capitalized	(39.9)	(41.7)	(10.1)	(10.2)	(15.8)	(15.5)	(51.6)	(11.9)	(11.9)	(11.9)	(11.9)	(47.6)	(11.9)	(11.9)	(11.9)	(11.9)	(47.6)
Interest income from equity method investment in Growth	(2.6)							1.0									
Interest income - related party	123.7	145.1	40.6	42.5	44.9	46.3	174.3	48.8	48.8	48.8	48.8	195.2	48.8	48.8	48.8	48.8	195.2
Other income, net	0.1	1.9	0.2	0.1	(0.3)	(1.3)	(1.3)	(0.6)	-	-	-	(0.6)	-	-	-	-	-
Income before taxes	143.2	193.8	5.9	58.9	59.1	(111.2)	12.7	(24.5)	72.5	89.5	101.8	238.3	144.9	147.6	151.3	152.5	596.3
Provision for income taxes	(50.7)	(66.4)	(1.7)	(17.4)	(18.5)	(15.3)	(52.9)	(1.7)	(21.8)	(26.9)	(30.5)	(80.8)	(43.5)	(44.3)	(45.4)	(45.7)	(178.9)
Net income (loss)	92.5	127.4	4.2	41.5	40.6	(126.5)	(40.2)	(26.2)	50.8	62.7	71.3	157.5	101.5	103.3	105.9	106.7	417.4
Non controlling income	(8.0)	(0.6)	2.1	(1.0)	3.2	5.4	9.7	6.5	6.5	6.5	6.5	26.0	6.5	6.5	6.5	6.5	26.0
Net income attributable to Growth Partners	84.5	126.8	6.3	40.5	43.8	(121.1)	(30.5)	(19.7)	57.3	69.2	77.8	183.5	108.0	109.8	112.4	113.2	443.4
Earnings per share																	
- Basic	\$ 0.68	\$ 0.94	\$ 0.03	\$ 0.31	\$ 0.30	\$ (0.93)	\$ (0.30)	\$ (0.19)	\$ 0.37	\$ 0.46	\$ 0.52	\$ 1.16	\$ 0.75	\$ 0.76	\$ 0.78	\$ 0.79	\$ 3.07
- Diluted	\$ 0.68	\$ 0.94	\$ 0.03	\$ 0.31	\$ 0.30	\$ (0.93)	\$ (0.30)	\$ (0.19)	\$ 0.37	\$ 0.46	\$ 0.52	\$ 1.16	\$ 0.75	\$ 0.76	\$ 0.78	\$ 0.79	\$ 3.07
Weighted average shares outstanding																	
- Basic	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	
- Diluted	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	135.8	
Adjusted EBITDA																	
Interactive Entertainment	27.8	76.2	20.6	20.1	29.8	26.6	97.1	30.3	36.2	40.6	43.8	150.8	45.4	48.4	49.7	53.5	197.0
Properties and Development	74.5	69.1	21.9	22.2	13.6	26.0	83.7	26.1	49.7	74.5	91.7	242.0	99.7	107.9	110.8	111.7	430.1
Total	102.3	145.3	42.5	42.3	43.4	52.6	180.8	56.4	85.9	115.1	135.4	392.8	145.1	156.4	160.5	165.1	627.1
Earnings analysis	FY11	FY12	1Q13	2Q13	3Q13	4Q13	FY13	1Q14	2Q14E	3Q14E	4Q14E	FY14E	1Q15E	2Q15E	3Q15E	4Q15E	FY15E
EBITDA Margin analysis																	
Interactive Entertainment	41.8%	36.7%	30.0%	27.2%	37.8%	28.0%	30.7%	24.4%	26.0%	28.0%	29.0%	27.0%	29.0%	30.0%	30.0%	31.0%	30.0%
Properties and Development	24.3%	22.8%	26.4%	26.9%	16.3%	29.3%	24.8%	25.6%	18.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Total Adjusted EBITDA Margin	27.4%	28.4%	28.0%	27.0%	26.7%	28.6%	27.6%	24.9%	20.7%	22.2%	22.2%	22.2%	22.1%	22.3%	22.3%	22.6%	22.3%

Source: company reports, SEC filings, Eilers Research, LLC



U.S. Securities and Exchange Commission Filings; Notices and Reports to Financing Sources and Equity Holders

Please find included a link to copies of U.S. Securities and Exchange Commission ("SEC") filings for CACQ:

<http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001575879&type=&dateb=&owner=exclude&start=0&count=40>



Legal Actions

The following covers Caesars Entertainment Corporation and Caesars Entertainment Operating Company, Inc.:

Caesars Entertainment Corporation and its subsidiaries are and have been parties to ordinary and routine litigation incidental to the operation of their subsidiaries' business; for example, as a plaintiff in routine collection cases to recover monies owed or as a defendant in personal injury and employment-related matters. Except for the litigation discussed in the Caesars Entertainment Corporation Securities and Exchange Commission ("SEC") form 10-K and 10-Q filings, none of the litigation is deemed material. It is not expected that the outcome of any pending litigation would have a material adverse effect on Caesars' consolidated financial position or results of operations.

For additional information regarding Caesars Entertainment Corporation and consolidated subsidiaries litigation for the past ten years, please refer to the following pages from the Caesars Entertainment Corporation SEC for 10-K and 10-Q filings:

Page Number(s)	Document
32, 102–104	10-K for the year ending December 31, 2013
30, 94-96	10-K for the year ending December 31, 2012
28, 80-82	10-K for the year ending December 31, 2011
19, 96-97	10-K for the year ending December 31, 2010
17-18, 80-81	10-K for the year ending December 31, 2009
15-16, 68-69	10-K for the year ending December 31, 2008
16-18, 75-77	10-K for the year ending December 31, 2007
16-18, 85-87	10-K for the year ending December 31, 2006
68-69	10-KA for the year ending December 31, 2005
15-16-, 88-89	10-K for the year ending December 31, 2005
9, 17	10-K for the year ending December 31, 2004

These filings are available on the SEC website at:

<http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000858339&type=10-k&dateb=&owner=exclude&count=40>

Page Number(s)	Document
26, 54	10-Q for the period ending March 31, 2014
23, 57	10-Q for the period ending September 30, 2013
25, 57	10-Q for the period ending June 30, 2013
20-21, 49	10-Q for the period ending March 31, 2013
22, 46	10-Q for the period ending September 30, 2012



21, 43	10-Q for the period ending June 30, 2012
20, 38	10-Q for the period ending March 31, 2012
26, 49	10-Q for the period ending September 30, 2011
27, 63	10-Q for the period ending June 30, 2011
29, 62	10-Q for the period ending March 31, 2011
30, 69-70	10-Q for the period ending September 30, 2010
26-27, 56-57	10-Q for the period ending June 30, 2010
22-24, 48-49	10-Q for the period ending March 31, 2010
21-23, 54-55	10-Q for the period ending September 30, 2009
17-18, 50	10-Q for the period ending June 30, 2009
15, 39	10-Q for the period ending March 31, 2009
18-19, 48	10-Q for the period ending September 30, 2008
18-19, 47	10-Q for the period ending June 30, 2008
16-18, 39-41	10-Q for the period ending March 31, 2008
14-15, 35	10-Q for the period ending September 30, 2007
13-14, 32	10-Q for the period ending June 30, 2007
14-15, 34	10-Q for the period ending March 31, 2007
19, 39	10-Q for the period ending September 30, 2006
22, 42	10-Q for the period ending June 30, 2006
20-21, 38	10-Q for the period ending March 31, 2006
20-22	10-Q for the period ending September 30, 2005
19-21	10-Q for the period ending June 30, 2005
15	10-Q for the period ending March 31, 2005
15	10-Q for the period ending September 30, 2004
14	10-Q for the period ending June 30, 2004
13	10-Q for the period ending March 31, 2004

These filings are available on the SEC website at:

<http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000858339&type=10-q&dateb=&owner=exclude&count=40>



The following covers Caesars Acquisition Company and Caesars Growth Partners, LLC:

From time to time, Caesars Acquisition Company and/or Caesars Growth Partners, LLC may be subject to legal proceedings and claims in the ordinary course of business. Except for the litigation discussed in the Caesars Acquisition Company Securities and Exchange Commission ("SEC") form 10-K and 10-Q filings, none of the litigation is deemed material. It is not expected that the outcome of any pending litigation would have a material adverse effect on Caesars' consolidated financial position or results of operations.

For additional information regarding Caesars Acquisition Company and subsidiaries litigation for the past year¹, please refer to the following pages from the Caesars Acquisition Company SEC for 10-K and 10-Q filings:

Page Number(s)	Document
9-11, 22-24, 48-49	10-Q for the period ending March 31, 2014
44, 87-88, 118-120	10-K for the year ending December 31, 2013
10-11, 28-30, 56-57	10-Q for the period ending September 30, 2013

These filings are available on the SEC website at:

<http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001575879&type=10-k&dateb=&owner=exclude&count=40>

and

<http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001575879&type=10-q&dateb=&owner=exclude&count=40>

Please note that there was nothing responsive for Woodbury Casino, LLC or Woodbury Manager, LLC.

Additional information will be supplied upon request.

¹ Caesars Acquisition Company was formed on February 25, 2013, and Caesars Growth Partners, LLC was formed on July 16, 2013.



Bankruptcy or Other Insolvency Matters

No Applicant Party has been involved in any material insolvency, bankruptcy or similar matter during the past ten (10) years. To the extent that any key employees of any of the foregoing have been involved in any insolvency, bankruptcy or similar matter, such items will be disclosed in connection with such individual's licensing materials.

In the normal scope of business, casino customers, hotel groups, and other debtors seek relief under the General Bankruptcy Code. In certain cases, an Applicant Party or its managed businesses may file complaints to determine the dischargeability of certain debts owed to such businesses in an effort to avoid the discharge of the debt(s) owed by the debtor. In addition, during their operating history an Applicant Party may have made investments in the normal course of business, which were written off or will be written off, in whole or in part, in accordance with GAAP.



Breach of Contract

Caesars Acquisition Company (CAC), parent of Applicant, and Caesars Entertainment Corporation (Caesars), parent of Manager, and each of their various subsidiaries and managed businesses have been parties to litigation related to the operations of their respective businesses; however it is not expected that the outcome of any such matters would have a material adverse effect on the financial position or results of the operations for these businesses.



REDACTED



REDACTED



Licenses in Other Jurisdictions

Gaming Licenses Issued

Neither the Applicant nor the Manager has ever had a gaming-related license denied, suspended, withdrawn or revoked and there is no pending proceeding against either the Applicant or the Manager that could lead to any of those conditions. The parent company of the Applicant is Caesars Acquisition Company ("CAC"), and the parent company of the Manager is Caesars Entertainment Corporation ("CEC"). CAC, CEC and their respective affiliates are licensed in numerous locations in the United States and internationally and hold licenses / permits / registrations in those jurisdictions requiring such approvals. None of (i) CAC, (ii) CEC, or (iii) any of their respective subsidiaries has ever had a gaming-related license suspended, denied, revoked or withdrawn by a regulatory body.

In addition, investment funds affiliated with Apollo Global Management, LLC and TPG Capital own minority equity interests in each of CEC and CAC, and individuals associated with Apollo and TPG control a majority of the voting stock of each of CEC and CAC through an entity called Hamlet Holdings LLC. None of (i) Apollo, (ii) TPG, or Hamlet Holdings LLC has ever had a gaming-related license denied, suspended, withdrawn or revoked, and there is no pending proceeding against any of those entities that could lead to any of those conditions.

Attached please find a Gaming-Related License List showing all licenses or other approvals held by CAC and CEC (and/or their respective subsidiaries), Apollo, TPG and Hamlet Holdings LLC (Attachment VIII.A.14.a_A1).

Voluntarily Withdrawn Application:

In January 2013, CEC, Caesars Entertainment Operating Company, Inc., ("CEOCC"), certain special purpose Caesars entities, and several individuals and entities affiliated with the Caesars companies or with their sponsors (all collectively, the "Caesars affiliates") submitted information as qualifiers to the Massachusetts Gaming Commission in connection with a gaming license application submitted by Sterling Suffolk Racecourse, LLC ("Sterling Suffolk"). The Caesars affiliates subsequently withdrew as qualifiers following a recommendation by the Commission's investigative bureau that Caesars Entertainment Corporation not be found suitable. The recommendation purported to be based on several factors, particularly the alleged conduct of an investor in a hotel chain with which Caesars at one point had a licensing agreement. The Caesars affiliates withdrew because the MA Gaming Commission refused to allow sufficient time to prepare for a suitability hearing, and at the request of its partners in the Suffolk Downs proposal, whose public referendum was only 16 days away. Caesars holds more gaming licenses in more jurisdictions than any other gaming operator, and strongly disagreed with the recommendation of the investigative bureau, whose standards appeared to differ materially among various applicants.

Attachment VIII.A.14.a_A1

Caesars Entertainment Corporation Subsidiaries' Casino Gaming Licenses

In this list, the term "Company" refers to various subsidiaries of Caesars Entertainment Corporation

Ak-Chin Community Tribal Gaming Commission

Charles McCarty - Executive Director
15406 Maricopa Road, Maricopa AZ 85239
(520) 568-1622

Caesars Entertainment Corporation

Harrah's Phoenix Ak-Chin Casino

15406 Maricopa Road, Maricopa, AZ 85239
Indian reservation

License No.	Granted	Expires
V08-002	12-Aug-94	

Caesars corporate provides services to the casino. This license has been granted for a continuous period.

LicenseTitle: Vendor: Gaming Services to Ak-Chin Community

Harrah's Arizona Corporation

Harrah's Phoenix Ak-Chin Casino

15406 Maricopa Road, Maricopa, AZ 85239
Indian reservation

License No.	Granted	Expires
No #	12-Aug-94	31-Dec-14

Caesars manages the casino.

LicenseTitle: Vendor: Gaming Services, Management Contractor

California Gambling Control Commission

Tina Littleton - Executive Director
2399 Gateway Oaks Dr., Suite 220, Sacramento, CA 95833
(916) 263-0700

Caesars Entertainment Operating Company, Inc.

Harrah's Rincon Casino and Resort

777 Harrah's Rincon Way, Valley Center, CA 92082
Indian reservation

License No.	Granted	Expires
GVPO-000183		28-Feb-14

Caesars manages the casino. License term continues with annual renewals.

LicenseTitle: Principals/Owners for Gaming Resource Supplier

Rincon Band of Luiseno Indians - Tribal Gaming Com

Lester D. Stanley - Executive Director
PO Box 68, Valley Center CA 92082
(760) 749-5100 X 2001

Caesars Entertainment Operating Company, Inc.

Harrah's Rincon Casino and Resort

777 Harrah's Rincon Way, Valley Center, CA 92082
Indian reservation

License No.	Granted	Expires
RBL #119	11-Oct-00	29-Feb-16

Caesars manages the casino. License term continues with annual renewals.

LicenseTitle: Vendor License

HCAL, LLC

Harrah's Rincon Casino and Resort

777 Harrah's Rincon Way, Valley Center, CA 92082
Indian reservation

<u>License No.</u>	<u>Granted</u>	<u>Expires</u>
RBL #117	11-Oct-00	29-Feb-16

Caesars manages the casino. License term continues with annual renewals.

LicenseTitle: Vendor License

Iowa Racing & Gaming Commission

Brian Ohorilko - Administrator
1300 Des Moines Street, Suite 100, Des Moines IA 50309
(515) 281-7353

Harveys BR Management Company, Inc. Iowa West Racing Association

Horseshoe Council Bluffs

2701 23rd Avenue, Council Bluffs, IA 51501
Racino - Greyhounds

<u>License No.</u>	<u>Granted</u>	<u>Expires</u>
No #	21-Jun-01	31-Dec-14

Caesars owns the assets other than gaming equipment and leases these assets to the Iowa West Racing Association ("IWRA"), a nonprofit corporation, and we manage the facility for the IWRA.

LicenseTitle: Gambling Games at a Pari-Mutuel Racetrack License

Harveys Iowa Management Company, Inc. Iowa West Racing Association

Harrah's Council Bluffs Casino and Hotel

One Harrah's Boulevard, Council Bluffs, IA 51501
Dockside casino

<u>License No.</u>	<u>Granted</u>	<u>Expires</u>
No #	21-Jun-01	31-Dec-14

Iowa West Racing Association is co-licensee as the qualified sponsoring organization. The license is granted to conduct gambling games and operate an excursion gambling boat that will not cruise.

LicenseTitle: License to Operate Excursion Gambling Boat

Illinois Gaming Board

Mark Ostrowski - Administrator
160 N. LaSalle Street, Suite 300 South, Chicago IL 60601
(312) 814-4710

Des Plaines Development Limited Partnership

Harrah's Joliet Casino

151 North Joliet Street, Joliet, IL 60432
Dockside casino

<u>License No.</u>	<u>Granted</u>	<u>Expires</u>
91-A-0352	01-Jan-93	15-Sep-15

Caesars has an 80% ownership interest in and manages this property.

LicenseTitle: Riverboat Gambling License

Southern Illinois Riverboat/Casino Cruises, Inc.

Harrah's Metropolis Casino

100 East Front Street, Metropolis, IL 62960
Dockside casino

<u>License No.</u>	<u>Granted</u>	<u>Expires</u>
91-A-0350	01-Jan-00	20-Feb-17

LicenseTitle: Owner's License

Indiana Gaming Commission

Ernest Yelton - Executive Director

101 W. Washington St., East Tower, Ste. 1600, Indianapolis, IN 46204

(317) 233-0046

Caesars Riverboat Casino, LLC

Horseshoe Southern Indiana

11999 Casino Center Drive SE, Elizabeth, IN 47117

Dockside casino

License No. Granted

Expires

Order #2012-205 13-Jun-05

15-Nov-14

LicenseTitle: Riverboat Owner's License

Horseshoe Hammond, LLC

Horseshoe Casino Hammond

777 Casino Center Drive, Hammond, IN 46320

Dockside casino

License No. Granted

Expires

Order #2013-118 01-Jan-99

19-Jun-14

LicenseTitle: Riverboat Owner's License

Louisiana Gaming Control Board

Ronnie Jones - Chairman

7901 Independence Blvd., Bldg. A, Baton Rouge, LA 70806

(225) 295-8450

Harrah's Bossier City Investment Company, LLC

Harrah's Louisiana Downs

8000 East Texas Street, Bossier City, LA 71111

Racino - Thoroughbreds

License No. Granted

Expires

T 010 802 871 11-Mar-03

18-Feb-18

LicenseTitle: Slot Machine Gaming License

Horseshoe Entertainment

Horseshoe Bossier City

711 Horseshoe Boulevard, Bossier City, LA 71111

Dockside casino

License No. Granted

Expires

R 0108 00198 22-Nov-04

22-Nov-14

LicenseTitle: Riverboat Gaming License

Jazz Casino Company, L.L.C.

Harrah's New Orleans Management Company

Harrah's New Orleans Casino

228 Poydras Street, New Orleans, LA 70130

Land-based casino

License No. Granted

Expires

C 0136 00001 20-Oct-98

15-Jul-14

Permission to operate Harrah's New Orleans casino was granted to co-licensees Jazz Casino Company, LLC and Harrah's New Orleans Management Company pursuant to a contract with the State of Louisiana which has an initial term through 15-Jul-2014 which automatically extends for an additional ten-year period through and including 15-Jul-24. The LA GCB did not issue a paper license for this casino.

LicenseTitle: Land-based Casino Contract

Grand Casinos of Biloxi, LLC
Grand Casino Biloxi
280 Beach Blvd., Biloxi, MS 39530
Land-based casino

	<u>License No.</u>	Granted	Expires
	0817	31-Dec-07	22-May-15

LicenseTitle: Operator License

Robinson Property Group Corporation
Horseshoe Tunica Casino and Hotel
1021 Casino Center Drive, Robinsonville, MS 38664
Dockside casino

	<u>License No.</u>	Granted	Expires
	0818	01-Jan-06	22-May-15

LicenseTitle: Operator License

Tunica Roadhouse Corporation
Tunica Roadhouse Casino & Hotel
1107 Casino Center Drive, Robinsonville, MS 38664
Dockside casino

	<u>License No.</u>	Granted	Expires
	0819	23-May-09	22-May-15

LicenseTitle: Operator License

Cherokee Tribal Gaming Commission

Patrick H. Lambert - Executive Director
776 Casino Drive, Cherokee NC 28719
(828) 497-7556 X 1

Harrah's NC Casino Company, LLC
Harrah's Cherokee Casino Resort
777 Casino Drive, Cherokee, NC 28719
Indian reservation
Caesars manages the casino.

	<u>License No.</u>	Granted	Expires
	2001-157	28-Apr-04	31-Dec-14

LicenseTitle: Class III Casino Management

New Jersey Casino Control Commission

Matthew B. Levinson - Chairman
Tennessee Ave. & Boardwalk, Atlantic City NJ 08401
(609) 441-3000

New Jersey Division of Gaming Enforcement

Josh Lichtblau - Director
140 E. Front St., CN-047, Trenton NJ 08625
(609) 292-5113

Bally's Park Place, Inc.

Bally's Atlantic City

1900 Pacific Avenue, Atlantic City NJ 08401

	<u>License No.</u>	Granted	Expires
	Res. 08-06-18-22-D	13-Jun-05	30-Jun-13

Land-based casino
License continues until renewal process is complete; the current renewal application is pending.

LicenseTitle: Casino License

Boardwalk Regency Corporation

Caesars Atlantic City

2100 Pacific Avenue, Atlantic City NJ 08401

License No. Granted Expires

Land-based casino

Res. 08-06-18-22-E 13-Jun-05 30-Jun-13

License continues until renewal process is complete; the current renewal application is pending.

LicenseTitle: Casino License

Caesars Interactive Entertainment New Jersey, L

Caesars Interactive Entertainment New Jersey, LLC

2100 Pacific Avenue, Atlantic City NJ 08401

License No. Granted Expires

Internet

Permit # NJIGP13-007 20-Nov-14

Approval for license granted 20 Nov 2013

LicenseTitle: Internet Gaming Permit

Caesars Interactive Entertainment New Jersey, L

Caesars Interactive Entertainment New Jersey, LLC

2100 Pacific Avenue, Atlantic City NJ 08401

License No. Granted Expires

Internet

Permit # NJIGP13-006 20-Nov-14

Approval for license granted 20 Nov 2013

LicenseTitle: Internet Gaming Permit

Harrah's Atlantic City Operating Company, LLC

Harrah's Resort Atlantic City

777 Harrah's Boulevard, Atlantic City NJ 08401

License No. Granted Expires

Land-based casino

Res. 08-06-18-22-C 28-Jan-08 30-Jun-13

License continues until renewal process is complete; the current renewal application is pending.

LicenseTitle: Casino License

Showboat Atlantic City Operating Company, LLC

Showboat Casino Hotel

801 Boardwalk, Atlantic City NJ 08401

License No. Granted Expires

Land-based casino

Res. 08-06-18-22-B 28-Jan-08 30-Jun-13

License continues until renewal process is complete; the current renewal application is pending.

LicenseTitle: Casino License

Nevada Gaming Commission

Peter C. Bernhard - Chairman

1919 E. College Pkwy., Carson City NV 89706

(775) 684-7750

Nevada Gaming Control Board

Mark Liparelli - Chairman

1919 E. College Pkwy., Carson City NV 89706

(775) 687-5817

3535 LV Corp.

The Quad Resort & Casino

3535 So. Las Vegas Blvd., Las Vegas, NV 89109

License No. Granted Expires

Land-based casino

01177-04 01-Dec-12 31-Dec-14

LicenseTitle: Gaming License Nonrestricted

3535 LV Corp.

Hot Spot Oasis

265 East Harmon Ave., Las Vegas, NV 89109
Land-based restricted casino

<u>License No.</u>	<u>Granted</u>	<u>Expires</u>
30618-01	21-May-09	31-Dec-14

LicenseTitle: Gaming License Restricted

Caesars Entertainment Operating Company, Inc.

Harrah's Casino Hotel Reno

219 North Center Street, Reno, NV 89501
Land-based casino

<u>License No.</u>	<u>Granted</u>	<u>Expires</u>
00718-02	01-Jan-47	31-Dec-14

LicenseTitle: Gaming License Nonrestricted

Caesars Interactive Entertainment, Inc.

Caesars Interactive Entertainment, Inc.

One Caesars Palace Drive, Las Vegas, NV 89109
Internet

<u>License No.</u>	<u>Granted</u>	<u>Expires</u>
31831-01	20-Dec-12	31-Dec-14

Approval for license granted 20-Dec-2012. Caesars has an approximate 89% ownership interest.

LicenseTitle: Operator of Interactive Gaming System

Corner Investment Company, LLC

The Cromwell

3595 So. Las Vegas Blvd., Las Vegas, NV 89109
Land-based casino

<u>License No.</u>	<u>Granted</u>	<u>Expires</u>
03005-04	22-Feb-07	31-Dec-14

LicenseTitle: Gaming License Nonrestricted

Desert Palace, Inc.

Caesars Palace

3570 So. Las Vegas Blvd., Las Vegas, NV 89109
Land-based casino

<u>License No.</u>	<u>Granted</u>	<u>Expires</u>
01297-02	13-Jun-05	31-Dec-14

LicenseTitle: Gaming License Nonrestricted

Flamingo Las Vegas Operating Company, LLC

Flamingo Las Vegas

3555 So. Las Vegas Blvd., Las Vegas, NV 89109
Land-based casino

<u>License No.</u>	<u>Granted</u>	<u>Expires</u>
00008-04	28-Jan-08	31-Dec-14

License includes O'Shea's Casino, which is adjacent to this property.

LicenseTitle: Gaming License Nonrestricted

Harrah's Las Vegas, LLC

Harrah's Casino Hotel Las Vegas

3475 So. Las Vegas Blvd., Las Vegas, NV 89109
Land-based casino

<u>License No.</u>	<u>Granted</u>	<u>Expires</u>
02689-02	01-Jan-11	31-Dec-14

LicenseTitle: Gaming License Nonrestricted

Harrah's Laughlin, LLC

Harrah's Casino Hotel Laughlin

2900 South Casino Drive, Laughlin, NV 89029
Land-based casino

<u>License No.</u>	<u>Granted</u>	<u>Expires</u>
10720-02	01-Jan-11	31-Dec-14

LicenseTitle: Gaming License Nonrestricted

Harveys Tahoe Management Company, Inc.

Harvey's Resort Hotel/Casino

Highway 50 and Stateline, Stateline, NV 89449
Land-based casino

<u>License No.</u>	<u>Granted</u>	<u>Expires</u>
01070-01	01-Jan-54	31-Dec-14

LicenseTitle: Gaming License Nonrestricted

Harveys Tahoe Management Company, Inc.

Harrah's Casino Hotel Lake Tahoe

15 Highway 50, Stateline, NV 89449
Land-based casino

<u>License No.</u>	<u>Granted</u>	<u>Expires</u>
01070-01	22-May-97	31-Dec-14

LicenseTitle: Gaming License Nonrestricted

Parball Corporation

Bally's Las Vegas

3645 So. Las Vegas Blvd., Las Vegas, NV 89109
Land-based casino

<u>License No.</u>	<u>Granted</u>	<u>Expires</u>
01891-02	19-May-08	31-Dec-14

LicenseTitle: Gaming License Nonrestricted

Paris Las Vegas Operating Company, LLC

Paris Las Vegas

3655 So. Las Vegas Blvd., Las Vegas, NV 89109
Land-based casino

<u>License No.</u>	<u>Granted</u>	<u>Expires</u>
30377-01	19-May-08	31-Dec-14

LicenseTitle: Gaming License Nonrestricted

PHW Las Vegas, LLC

Planet Hollywood Resort & Casino

3667 South Las Vegas Blvd., Las Vegas, NV 89109
Land-based casino

<u>License No.</u>	<u>Granted</u>	<u>Expires</u>
01713-07	18-Feb-10	31-Dec-14

LicenseTitle: Gaming License Nonrestricted

Rio Properties, LLC

Rio All-Suite Hotel and Casino

3700 W. Flamingo Road, Las Vegas, NV 89103
Land-based casino

<u>License No.</u>	<u>Granted</u>	<u>Expires</u>
13154-02	21-Dec-89	31-Dec-14

LicenseTitle: Gaming License Nonrestricted

Ohio Casino Control Commission

Jo Ann Davidson - Chair
10 West Broad Street, 6th Floor, Columbus OH 43215
(614) 224-0777

Rock Ohio Caesars Cincinnati, LLC

Horseshoe Casino Cincinnati

1000 Broadway Street, Cincinnati, OH 45202

License No.	Granted	Expires
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Land-based casino

OPR. 4	13-Feb-13	13-Feb-16
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Rock Ohio Caesars LLC is a venture between Caesars and Rock Gaming LLC; Caesars has a minority investment in the venture and manages the Horseshoe Casino Cincinnati, which opened March 4, 2013.

LicenseTitle: Casino Operator License

Rock Ohio Caesars Cleveland, LLC

Horseshoe Casino Cleveland

100 Public Square, Cleveland, OH 44113

License No.	Granted	Expires
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Land-based casino

OPR. 1	02-May-12	02-May-15
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Rock Ohio Caesars LLC is a venture between Caesars and Rock Gaming LLC; Caesars has a minority investment in the venture and manages Horseshoe Casino Cleveland.

LicenseTitle: Casino Operator License

Ohio Lottery Commission

Michael A. (Mike) Dolan - Executive Director
615 West Superior Avenue, Cleveland, OH 44113
(216) 787-3200

Thistledown Racetrack, LLC

Thistledown

21501 Emery Road, Cleveland, OH 44128

License No.	Granted	Expires
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Racino - Thoroughbreds

No #	29-Nov-12	02-Apr-16
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Rock Ohio Caesars LLC is a venture between Caesars and Rock Gaming LLC; Caesars has a minority ownership interest in the venture and manages the Video Lottery Terminal facility.

LicenseTitle: Video Lottery Sales Agent License

Pennsylvania Gaming Control Board

Kevin F. O'Toole - Executive Director
Bureau of Licensing, 303 Walnut St., 5th Floor, Harrisburg, PA 17101
(717) 346-8300

Chester Downs and Marina, LLC

Harrah's Philadelphia Casino & Racetrack

777 Harrah's Boulevard, Chester PA 19013

License No.	Granted	Expires
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Racetrack - Standardbreds

F-1368	21-Jun-07	20-Oct-12
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License continues until renewal process is complete; the current renewal application is pending.
Caesars has a 99.5% ownership interest in and manages this property.

LicenseTitle: Category 1 Slot Operator License

Great Britain - The Gambling Commission

Philip Graf - Chairman

4th Floor Victoria Square House, Victoria Square, Birmingham B2 4BP

+44 21 233-1096

Golden Nugget Club Limited

The Golden Nugget Club

22-32 Shaftesbury Ave., London W1D 7EJ

License No. Granted Expires

Land-based casino .000693-N-103540-004 03-Nov-06

The license is granted for a continuous period.

LicenseTitle: Non Remote Operating Licence

London Clubs Brighton Limited

The Rendezvous Casino at the Marina

Brighton Marina Village, Brighton, Sussex BN2 5UT

License No. Granted Expires

Land-based casino .000702-N-103547-007 03-Nov-06

The license is granted for a continuous period.

LicenseTitle: Operating Licence

London Clubs Glasgow Limited

Alea Glasgow

Springfield Quay, Paisley Rd., Glasgow G5 8NF

License No. Granted Expires

Land-based casino .000698-N-103544-005 03-Nov-06

The license is granted for a continuous period.

LicenseTitle: Non Remote Operating Licence

London Clubs LSQ Limited

The Casino at the Empire

Basement to Second Floor, 5-6 Leicester Square, London

License No. Granted Expires

Land-based casino .000694-N-103542-004 03-Nov-06

The license is granted for a continuous period.

LicenseTitle: Non Remote Operating Licence

London Clubs Management Limited

The Sportsman Club

14-22 Old Quebec St., London, W1H 7AF

License No. Granted Expires

Land-based casino .000691-N-103538-003 03-Nov-06

The license is granted for a continuous period.

LicenseTitle: Non Remote Operating Licence

London Clubs Manchester Limited

Manchester235

Watson St., The Gr. Northern, Manchester M3 4LP

License No. Granted Expires

Land-based casino .000707-N-103551-003 03-Nov-06

The license is granted for a continuous period.

LicenseTitle: Non Remote Operating Licence

London Clubs Nottingham Limited

Alea Nottingham

108 Upper Parliament St., Nottingham NG1 6LF

License No. Granted

Expires

Land-based casino

·000708-N-103553-003

03-Nov-06

The license is granted for a continuous period.

LicenseTitle: Non Remote Operating Licence

London Clubs Poker Room Limited

WSOPE Poker Room & Slots

(Part) 5-6 Leicester Square, London, WC2H 7NA

License No. Granted

Expires

Land-based casino

·000685-N-103535-010

16-Dec-11

The license is granted for a continuous period.

LicenseTitle: Operating Licence

London Clubs Southend Limited

Rendezvous Casino (Southend On Sea)

Kursaal Bldg., SouthendOnSea, Essex SS12 2WW

License No. Granted

Expires

Land-based casino

·000709-N-103555-004

03-Nov-06

The license is granted for a continuous period.

LicenseTitle: Non Remote Operating Licence

Playboy Club London Limited

The Playboy Club - London

14 Old Park Lane, London W1K 1ND

License No. Granted

Expires

Land-based casino

·000689-N-103536-006

01-Jan-11

The license is granted for a continuous period.

LicenseTitle: Non Remote Operating Licence

Alcohol and Gaming Commission of Ontario

Mr. Jean Major - CEO

90 Sheppard Avenue East, Suite 200, Toronto M2N 0A4 Ontario

(416) 326-8993

Caesars Entertainment Windsor Limited

Caesars Windsor

377 Riverside Drive E., Windsor, Ontario N9A 7H7

License No. Granted

Expires

Land-based casino

82327 Reg #00173582

01-Aug-12

14-May-14

Caesars owns Caesars Entertainment Windsor Limited, which operates this complex which is owned by the Province of Ontario through the Ontario Lottery and Gaming Corporation. License continues until renewal process is complete.

LicenseTitle: Operator - Cert of Reg. Gaming Supplier

Egypt - Ministry of Finance

Dr. Youssef Boutros-Ghali - Minister of Finance
11 El-Mobtadayan Street, El-Sayeda Zeinab, Cairo, Egypt

Inter Casino Management (Egypt) Limited

Caesars Cairo

35 Giza Street, Giza, Cairo, Egypt 12311

License No. Granted Expires

Land-based casino

N/A - Contract

Pursuant to a concession agreement, Caesars manages this casino.

LicenseTitle: Casino management contract

Inter Casino Management (Egypt) Limited

The London Club Cairo

1115 Cornich El Nil, Cairo, Egypt 12344

License No. Granted Expires

Land-based casino

N/A - Contract

Pursuant to a concession agreement, Caesars manages this casino.

LicenseTitle: Casino management contract

Inter Casino Management (Egypt) Limited

Kings and Queens Casino

Uruba Street, Cairo, Egypt 12466

License No. Granted Expires

Land-based casino

N/A - Contract

Pursuant to a management agreement, Caesars manages this casino.

LicenseTitle: Casino management contract

Gauteng Gambling Board

Mr. Lloyd Mogotsi - Chairperson
1256 Heuwel Ave., Centurion 0157, Centurion, South Africa 0046
+27 (12) 663-8900

Emerald Safari Resort (Proprietary) Limited

Emerald Casino

777 F. Meyer Blvd., Vanderbijlpark, Gauteng 1900

License No. Granted Expires

Land-based casino

CAS-006

Caesars has a 70% ownership interest in the company that owns Emerald Safari Resort, and we manage the facility. This licence shall continue to be of force and effect until revoked or suspended by the Gauteng Gambling Board.

LicenseTitle: Gauteng Permanent Casino Licence

The gaming industry is highly regulated, and we must maintain our licenses and pay taxes to continue our operations. Each of our property operations is subject to extensive regulation under the laws and regulations of the jurisdiction where the operation is located. Our business is also subject to various other federal, state, and local laws and regulations in addition to gaming regulations. These laws and regulations include, but are not limited to, licensings, restrictions, and conditions concerning alcoholic beverages, environmental matters, employees and employment, currency transactions, taxation, zoning and building codes, marketing and advertising restrictions, and other business laws and restrictions. Various locations may hold licenses as retail lottery sellers. A more detailed listing will be provided upon request.



Licenses in other Jurisdictions

Disciplinary Actions Brought

Please find attached (Attachment VIII.A.14.b_A1) an exhibit containing information related to notices of violations issued by gaming regulatory agencies for Caesars Entertainment Corporation during the past five (5) years.

Attachment VIII.A.14.b_A1

NOTICES OF VIOLATIONS, DISCIPLINARY ACTIONS, AND COMPLAINTS
January 2009 through March 2014

CAESARS ENTERTAINMENT CORPORATION

1. Property: Caesars Entertainment Corporation
Regulatory Agency: Illinois Gaming Board
Action: Complaint for Disciplinary Action
Case Number: DC-11-13
Date Open: 1/25/11
Allegation:

REDACTED

Proposed Penalty: **REDA**
Status: Payment of \$**REDACTED** made on 3/29/11.

2. Property: Harrah's Las Vegas
Caesars Las Vegas
Caesars Entertainment Corporation
Regulatory Agency: Nevada Gaming Control Board
Action: Order to Show Cause (issued to Harrah's Las Vegas)
Complaint (Harrah's, Caesars Palace and Caesars Entertainment)
Case Number: OSC-CC-11-02
NGC 12-03
Date Open: 12/1/2011
Allegations:

REDACTED

Penalty: \$**REDACTED**
Status: Response submitted 2/6/2012 advising of corrective actions taken related to this matter. Stipulation for Settlement and Order approved by the Nevada Gaming Control Board on 7/9/2012. Payment made 7/27/2012. A written response was provided to the Board on September 24, 2012 providing an update on all corrective actions taken to ensure compliance with all applicable laws and regulations.

3. Property: Caesars Entertainment Corporation
Regulatory Agency: Missouri Gaming Commission
Action: Proposed Disciplinary Action
Preliminary Order for Disciplinary Action
Case Number: DC-13-369
Date Open: 12/21/2012
6/7/2013
Allegation: **REDACTED**

Proposed Penalty: \$**REDACTED**
Status: Payment made 7/12/2013.

4. Property: Caesars Entertainment Corporation
Regulatory Agency: New Jersey Division of Gaming Enforcement
Action: Action in Lieu of Complaint
Case Number: None
Date Open: 3/7/2013
Allegation: **REDACTED**

Civil Penalty: \$**REDACTED**
Status: Payment made 3/11/2013.

Proof of Advancing Objectives

Past similar Applicant/Manager experience

Caesars owns and operates 53 properties across 7 countries with nearly 70,000 employees. Caesars is number one or two in market share in every United States gaming market. Caesars properties feature over 2 million square feet of casino gaming space, 1.6 million square feet of meeting space, 44,000 hotel rooms, 390 restaurants, bars and clubs and 302 retail shops.

While historically Caesars has grown its portfolio through acquisitions, since 2012, Caesars, in association with select partners, has developed and opened three casinos in Ohio and is currently developing a casino in Baltimore. The Ohio casinos created roughly 2,000 temporary construction jobs for each development and over 3,500 permanent jobs.

1. Horseshoe Casino Cleveland, OH (Opened May 2012):

- Total investment of \$350 million;
- 1,780 slots and 120 tables;
- Amenities include a 30-table World Series of Poker® Room, a 400-seat buffet, three food court outlets and two feature bars;
- REDACTED
- 1,250 full-time employees and 270 part-time employees; and
- 300,000 square feet spread over four floors of the historic downtown Higbee Building with 96,000 square feet of casino space.

2. Horseshoe Casino Cincinnati, OH (Opened March 2013):

- Total investment of \$450 million;
- 1,990 slots and 120 tables;
- Amenities include a 31-table World Series of Poker® Room, a buffet and 5 restaurants, including Jimmy Buffett's Margaritaville and Bobby Flay's Burger Palace;

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- 1,175 full-time employees and 190 part-time employees; and
- 450,000 square feet built on a 23-acre former surface parking lot in the city's core, with 100,000 square feet of casino space.

3. ThistleDown Racino Cleveland, OH (Racino opened April 2013):

- Total renovation investment of \$88 million;
- 1,150 video lottery terminals;
- Amenities include a diner, two food court outlets, a lounge and a slush bar;

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- 530 full-time employees and 80 part-time employees; and
- 71,700 square feet of casino space.

Proof of Advancing Objectives

Publically Announced Acquisition, Development or Proposed Competing Gaming Projects

Announced Gaming Projects: Horseshoe Baltimore – Baltimore, MD

Horseshoe Baltimore, which is a greenfield development located in Baltimore, Maryland, will serve customers in the Baltimore/Washington metropolitan area. The project is a joint venture majority owned by Caesars Entertainment and Rock Gaming. The estimated dollar investment is \$442 million. The facility will offer 2,500 VLTs and 130 tables (inclusive of 30 poker tables). Horseshoe Baltimore is anticipated to offer four sit-down restaurants (Jack Binion's Steakhouse, a Guy Fieri restaurant concept, a Johnny Sanchez Mexican restaurant and an Asian Noodle bar. The facility will also offer a Baltimore Marketplace food court with six outlets and five casino bars. The facility will not have a hotel. Horseshoe Baltimore is under construction and is expected to open in the third quarter of 2014.



Additional Financial Commitments

Caesars will provide whatever contingencies and guarantees are required by financing.