# CAESARS ACQUISITION CO

## FORM 10-Q
(Quarterly Report)

Filed 11/07/16 for the Period Ending 09/30/16

| | |
|---|---|
| Address | ONE CAESARS PALACE DRIVE |
| | LAS VEGAS, NV 89109 |
| Telephone | 7024076000 |
| CIK | 0001575879 |
| Symbol | CACQ |
| SIC Code | 7011 - Hotels and Motels |
| Industry | Casinos & Gaming |
| Sector | Consumer Cyclicals |
| 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, 2016**

**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** | **46-2672999** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **One Caesars Palace Drive, Las Vegas, Nevada** | **89109** |
| (Address of principal executive offices) | (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 | Outstanding at November 3, 2016 |
|---|---|
| Class A Common Stock, $0.001 par value | 138,224,973 |

**CAESARS ACQUISITION COMPANY**
**INDEX TO FINANCIAL STATEMENTS**



Caesars Acquisition Company and its subsidiaries have 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, *The World Series of Poker* ("WSOP"). In addition, Caesars Entertainment Corporation, our joint venture partner in Caesars Growth Partners, LLC, and Caesars Entertainment Operating Company, Inc., and their respective subsidiaries, have proprietary rights to, among others, Caesars, Caesars Entertainment, Harrah's, Total Rewards, Horseshoe 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)

| | September 30, 2016 | December 31, 2015 |
|---|---|---|
| ***Assets*** | | |
| Current assets | | |
| Cash and cash equivalents | $ 25.1 | $ 19.1 |
| Receivables | 0.4 | — |
| Receivable from related party | 278.8 | 0.9 |
| Prepayments and other current assets | 0.2 | 21.5 |
| Total current assets | 304.5 | 41.5 |
| | | |
| Equity method investment in Caesars Growth Partners, LLC | 1,518.3 | 1,095.9 |
| Deferred tax assets | 145.2 | — |
| Total assets | $ 1,968.0 | $ 1,137.4 |
| | | |
| ***Liabilities and Stockholders' Equity*** | | |
| Accrued income taxes | $ 257.3 | $ 0.1 |
| Total current liabilities | 257.3 | 0.1 |
| Deferred tax liabilities | — | 69.9 |
| Deferred credits and other | 97.0 | — |
| Total liabilities | 354.3 | 70.0 |
| | | |
| 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 September 30, 2016 and December 31, 2015; 137,760,236 and 137,341,569 Class A shares issued and outstanding, respectively | 0.1 | 0.1 |
| Additional paid-in capital | 1,022.9 | 1,016.2 |
| Retained earnings | 590.7 | 51.1 |
| Total stockholders' equity | 1,613.7 | 1,067.4 |
| Total liabilities and stockholders' equity | $ 1,968.0 | $ 1,137.4 |

See accompanying Notes to Condensed Financial Statements.

**CAESARS ACQUISITION COMPANY**
**CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**
**(UNAUDITED)**
**(In millions, except per share data)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Revenues | $ — | $ — | $ — | $ — |
| Operating expenses | 9.3 | 9.2 | 23.2 | 24.4 |
| Loss from operations | (9.3) | (9.2) | (23.2) | (24.4) |
| | | | | |
| Income from equity method investment in Caesars Growth Partners, LLC | 672.5 | 24.4 | 721.3 | 73.0 |
| Income before provision for income taxes | 663.2 | 15.2 | 698.1 | 48.6 |
| Provision for income taxes | (141.3) | (8.2) | (158.5) | (25.1) |
| Net income | 521.9 | 7.0 | 539.6 | 23.5 |
| Other comprehensive income, net of income taxes | — | — | — | — |
| Comprehensive income | $ 521.9 | $ 7.0 | $ 539.6 | $ 23.5 |
| | | | | |
| Earnings per share | | | | |
| Basic | $ 3.80 | $ 0.05 | $ 3.93 | $ 0.17 |
| Diluted | $ 3.78 | $ 0.05 | $ 3.92 | $ 0.17 |
| Weighted average common shares outstanding | | | | |
| Basic | 137.5 | 136.4 | 137.4 | 136.4 |
| Diluted | 138.0 | 136.8 | 137.7 | 136.6 |

See accompanying Notes to Condensed Financial Statements.

**CAESARS ACQUISITION COMPANY**
**CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY**
**(UNAUDITED)**
**(In millions)**

| | Class A Common Stock | Additional Paid-in Capital | Retained Earnings | Total Stockholders' Equity |
|---|---|---|---|---|
| Balance at January 1, 2015 | $ 0.1 | $ 1,003.9 | $ 19.1 | $ 1,023.1 |
| Net income | — | — | 23.5 | 23.5 |
| Stock-based compensation | — | 7.2 | — | 7.2 |
| Balance at September 30, 2015 | $ 0.1 | $ 1,011.1 | $ 42.6 | $ 1,053.8 |
| | | | | |
| Balance at January 1, 2016 | $ 0.1 | $ 1,016.2 | $ 51.1 | $ 1,067.4 |
| Net income | — | — | 539.6 | 539.6 |
| Stock-based compensation | — | 3.4 | — | 3.4 |
| Common stock issuances | — | 3.3 | — | 3.3 |
| Balance at September 30, 2016 | $ 0.1 | $ 1,022.9 | $ 590.7 | $ 1,613.7 |

See accompanying Notes to Condensed Financial Statements.

## CAESARS ACQUISITION COMPANY
## CONDENSED STATEMENTS OF CASH FLOWS
## (UNAUDITED)
## (In millions)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| Cash flows from operating activities | | |
| Net income | $ 539.6 | $ 23.5 |
| Adjustments to reconcile net income to cash flows provided by operating activities | | |
| Income from equity method investment in Caesars Growth Partners, LLC | (721.3) | (73.0) |
| Distributions from equity method investee Caesars Growth Partners, LLC | 21.0 | 25.7 |
| Stock-based compensation | 3.4 | 7.2 |
| Deferred income taxes | (215.1) | 21.7 |
| Net change in long-term accounts | 97.0 | — |
| Change in assets and liabilities: | | |
| Receivables | (0.4) | — |
| Prepayments and other current assets | 21.3 | 4.5 |
| Accrued income taxes | 257.2 | (0.6) |
| Cash flows provided by operating activities | 2.7 | 9.0 |
| Cash flows provided by investing activities | — | — |
| Cash flows from financing activities | | |
| Issuance of common stock | 3.3 | — |
| Cash flows provided by financing activities | 3.3 | — |
| Net increase in cash and cash equivalents | 6.0 | 9.0 |
| Cash and cash equivalents, beginning of period | 19.1 | 8.8 |
| Cash and cash equivalents, end of period | $ 25.1 | $ 17.8 |

See accompanying Notes to Condensed Financial Statements.

**CAESARS ACQUISITION COMPANY**
**NOTES TO CONDENSED FINANCIAL STATEMENTS**
**(UNAUDITED)**

## Note 1 — Description of Business and Basis of Presentation

### *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 ).

### *Proposed Merger of CAC with CEC*

On December 21, 2014, the Company and CEC entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which, among other things, CAC will merge with and into CEC, with CEC as the surviving company (the "Proposed Merger").

On July 9, 2016, CAC and CEC agreed to amend and restate the Merger Agreement (the "Amended Merger Agreement"). In connection with the entry into the Amended Merger Agreement, on July 9, 2016, (i) CAC and Caesars Entertainment Operating Company, Inc. ("CEOC"), a majority owned subsidiary of CEC, agreed to amend and restate the Restructuring Support Agreement (as amended, the "CAC RSA"), dated as of June 12, 2016, among CAC, CEOC and CEC; (ii) CEC and CEOC agreed to amend the Restructuring Support, Settlement and Contribution Agreement, dated as of June 7, 2016 (as amended, the "CEC RSA" and, together with the CAC RSA, the "Caesars RSAs"), between CEC and CEOC; and (iii) CAC entered into a Voting Agreement (the "Voting Agreement") with Hamlet Holdings LLC ("Hamlet Holdings"), and solely with respect to certain provisions of the Voting Agreement, affiliates of Apollo Global Management, LLC and TPG Capital, LP and certain of their co-investors (collectively, the "Holders"). The Caesars RSAs were entered into with respect to the restructuring of CEOC's indebtedness (the "Restructuring") and, together with the Amended Merger Agreement, are consistent with the terms proposed under the second amended joint chapter 11 plan of reorganization (as amended, the "Plan") of CEOC and each of the debtors (together with CEOC, the "Debtors") in the CEOC Chapter 11 Cases.

The exchange ratio, pursuant to which shares of CAC's class A common stock, par value $0.001 per share (the "Class A Common Stock") and CAC's class B common stock, par value $0.001 per share (the "Class B Common Stock," and together with the Class A Common Stock, the "CAC Common Stock"), will become exchangeable for shares of CEC's common stock, par value $0.01 per share ("CEC Common Stock"), has been amended to ensure that holders of CAC Common Stock immediately prior to the closing of the Proposed Merger (the "Merger Closing") will receive 27% of the outstanding CEC Common Stock on a fully diluted basis (prior to conversion of the new CEC convertible notes) (and which, upon conversion at any time following the Merger Closing, will result in pro rata dilution to all holders of CEC Common Stock, including holders of CAC Common Stock immediately prior to the Merger Closing) (the "Exchange Ratio"). The Exchange Ratio may be adjusted pursuant to the Amended Merger Agreement and such adjustment will be determined on the earlier of (i) the date on which the special committee of CAC's Board of Directors (the "CAC Special Committee") and the special committee of CEC's Board of Directors (the "CEC Special Committee"), each composed solely of independent directors, agree in writing as to the Exchange Ratio, and (ii) the sixth business day following the date on which the Adjustment Period (as described below) ends.

The Adjustment Period is the 14 day period beginning on the date, as soon as reasonably practicable following the date of the Amended Merger Agreement, on which each of CAC and CEC has received written confirmation from the other party that it and its respective representatives have received certain information (which information must be provided on request as soon as reasonably practicable, but no later than 30 days following the confirmation date) necessary for such party's financial advisor to render a fairness opinion. During the Adjustment Period, the CAC Special Committee, on behalf of CAC, and the CEC Special Committee, on behalf of CEC, will determine whether and to what extent it is necessary, appropriate and advisable to adjust the Exchange Ratio. The Exchange Ratio may be adjusted solely to take into account certain tax costs and tax attributes (except as described below).

If at any time during the Adjustment Period the CAC Special Committee or the CEC Special Committee determines that (i) it cannot obtain a fairness opinion from its respective financial advisor as a result of an adjustment to the Exchange Ratio based solely on the factors set forth in the Amended Merger Agreement or (ii) an adjustment to the Exchange Ratio based solely on the factors set forth in the Amended Merger Agreement would not be advisable or would otherwise be inconsistent with the directors' fiduciary duties under applicable law, either the CAC Special Committee or the CEC Special Committee may notify the other party of such determination and, following delivery of such notice, the parties will instead take into account all other relevant facts and circumstances impacting the intrinsic value of CAC and CEC at such time.

If the CAC Special Committee, on behalf of CAC, or the CEC Special Committee, on behalf of CEC, (i) are unable to agree to an adjustment to the Exchange Ratio by the end of the Adjustment Period and determine in good faith, after consultation with outside legal counsel, that failure to terminate the Amended Merger Agreement would be reasonably likely to be inconsistent with the fiduciary duties of the directors of CAC or CEC, as applicable, under applicable law or (ii) have not received, as of a date that is reasonably proximate to the date on which the Adjustment Period ends, an opinion of an independent, nationally recognized financial advisor to the effect that, as of the date of such opinion, and based upon and subject to the various assumptions made, procedures followed, matters considered and limitations on the review undertaken in preparing such opinion as set forth therein, the Exchange Ratio is fair, from a financial point of view, to CAC or CEC, as applicable, then the Amended Merger Agreement may be terminated within five business days following the end of the Adjustment Period.

The Amended Merger Agreement also contains an amended "Go-Shop" provision on terms substantially the same as the "Go-Shop" provision originally set forth in the Merger Agreement. The Amended Merger Agreement also provides that (i) certain existing litigation, under specified circumstances, (ii) certain legislative changes and (iii) any change in the financial or securities markets or in the market price or valuation of any security or financial interest, or in the business, results of operations or prospects of either of CAC or CEC, subject to certain conditions, in each case will not provide cause for either the CAC board of directors (the "CAC Board") or the CEC board of directors (the "CEC Board") to effect an adverse recommendation change.

The Amended Merger Agreement was fully negotiated by and between the CAC Special Committee and the CEC Special Committee, was recommended by each of the CAC Special Committee and the CEC Special Committee and was approved by the CAC Board and the CEC Board. Stockholders of each of CAC and CEC will be asked to vote on the adoption of the Amended Merger Agreement at special meetings of CAC's stockholders and CEC's stockholders, respectively, that will each be held on a date to be announced. Pursuant to the Amended Merger Agreement, CAC and CEC, as applicable, have agreed to file a joint proxy statement/prospectus as soon as reasonably practicable following the date of the Amended Merger Agreement.

The closing of the merger is subject to the adoption of the Amended Merger Agreement by the affirmative vote of the holders of at least a majority of all outstanding shares of CAC Common Stock and CEC Common Stock, respectively. In addition to the closing conditions originally set forth in the Merger Agreement, each of CAC and CEC have agreed that their respective obligation to consummate the merger is subject to the fulfillment of the Plan containing the Debtor Release, the Third-Party Release and the Exculpation. However, the Amended Merger Agreement eliminated from the closing conditions set forth in the Merger Agreement (i) minimum cash closing conditions for both parties and (ii) a closing condition that limited tax costs relating to the Restructuring to close the Proposed Merger.

The Amended Merger Agreement provides certain termination rights to each of CAC and CEC based on, among other things: (i) CEOC filing (including any of its debtor subsidiaries), without CAC's or CEC's prior written consent, respectively, (x) a plan of reorganization, a disclosure statement or a proposed order entered by the Bankruptcy Court confirming the Plan that is materially consistent with the RSAs and the Plan and otherwise acceptable to each of CAC and CEC ("Confirmation Order") that does not include the Debtor Release, the Third-Party Release or the Exculpation as to CAC, CGP LLC, their subsidiaries, and their respective representatives ("CAC Released Parties") or CEC, its subsidiaries, and their respective representatives ("CEC Released Parties"), respectively, in form and substance consistent in all material respects with such provisions as set forth in the Plan or (y) any motion, pleading or other document with the Bankruptcy Court in the CEOC Chapter 11 Cases that is otherwise materially inconsistent with the CAC RSA or CEC RSA, respectively, or the Plan, (ii) the Confirmation Order (x) not including the Debtor Release, the Third-Party Release or the Exculpation as to the CAC Released Parties or the CEC Released Parties, respectively, in form and substance consistent in all material respect with such provisions as set forth in the Plan or (y) not being otherwise materially consistent with the Plan, (iii) the 105 Injunction Order no longer being in effect or, subject to certain conditions, CEOC failing to file a motion on or before August 14, 2016, or such earlier date as may be required by local rules governing the CEOC Chapter 11 Cases for the filing of such motion, seeking to extend the 105 Injunction Order currently in effect to the period ending on the confirmation date, (iv) either of the Caesars RSAs being terminated or becoming null and void or (v) the date on which the merger becomes effective not occurring by the close of business on December 31, 2017.

***Basis of Presentation***

Our unaudited condensed financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in the United States, 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.

The results of operations for our interim periods are not necessarily indicative of the results of operations that may be achieved for the 2016 fiscal year. The accompanying unaudited condensed financial statements are 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. Accordingly, the accompanying unaudited condensed financial statements should be read in conjunction with the Company's audited financial statements presented in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 .

Given the significance of the investment in CGP LLC to the financial position and results of operations of CAC, we have elected to include interim selected financial information of CGP LLC as an exhibit to this Quarterly Report. As CAC is the parent company to CGP LLC, a joint venture accounted for using the HLBV approach to the equity method of accounting, and as the interim selected financial information of CGP LLC are included as an exhibit to this Quarterly Report on Form 10-Q , segment reporting is not required.

**Note 2 — Recently Issued Accounting Pronouncements**

In January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities,* which primarily affects the accounting for equity investments that do not result in consolidation and are not accounted for under the equity method, presentation of changes in the fair value of financial liabilities measured under the fair value option, and the presentation and disclosure requirements for financial instruments. The ASU also clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. The ASU is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those years. Entities can early adopt certain provision of ASU 2016-01. We are currently assessing the impact the adoption of this standard will have on our financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* , which (1) requires that all income tax effects of awards be recognized in the income statement when the awards vest or are settled, (2) requires that companies present excess tax benefits as an operating activity on the statement of cash flows rather than as a financing activity, (3) allows employers to withhold up to the maximum statutory tax rates in the applicable jurisdictions without triggering liability accounting, (4) allows companies to make a policy election to either account for forfeitures as they occur or estimate forfeitures, and (5) includes nonpublic entity practical expedients. For public business entities, the amendments in this guidance are effective for fiscal years beginning after December 15, 2016, and interim periods within those years. Early adoption is permitted. We have adopted ASU No. 2016-09 during the quarter ended June 30, 2016. The adoption of this ASU had an immaterial impact on our financial statements.

In June 2016, FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* , which replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses on certain types of financial instruments and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For available-for-sale debt securities, ASU No. 2016-13 aligns the income statement recognition of credit losses with the reporting period in which changes occur by recording credit losses and subsequent reversals through an allowance rather than a write-down. For public business entities that are SEC filers, the amendments in this guidance are effective for fiscal years beginning after December 15, 2019, and interim periods within those years. Early application will be permitted for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. We are currently assessing the impact the adoption of this standard will have on our financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* , which addresses classification issues related to the statement of cash flows. The amendments in ASU No. 2016-15 provide guidance on the following eight specific cash flow issues: (1) debt prepayment or debt extinguishment costs, (2) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, (3) contingent consideration payments made after a business combination, (4) proceeds from the settlement of insurance claims, (5) proceeds from the settlement of corporate-owned life insurance policies including bank-owned life insurance policies, (6) distributions received from equity method investees, (7) beneficial interests in securitization transactions, and (8) separately identifiable cash flows and application of the predominance principle. For public business entities, the ASU will be effective for fiscal years beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted. We are currently assessing the impact the adoption of this standard will have on our financial statements.

In October 2016, the FASB issued ASU No. 2016-17, *Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control* , which amends ASU No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis* . The amendment alters how a decision maker should consider indirect interests in a variable interest entity ("VIE") held through an entity under common control. If a decision maker is required to evaluate whether it is the primary beneficiary of a VIE, it will need to consider only its proportionate indirect interest in the VIE held through a common control party. ASU No. 2016-17 does not change the characteristics of a primary beneficiary in the VIE model. This ASU is effective for public business entities for fiscal years beginning after December 15, 2016, and interim periods within those years. Early adoption is permitted. We are currently assessing the impact the adoption of this standard will have on our financial statements.

**Note 3 — Equity Method Investment in Caesars Growth Partners, LLC**

CAC's earnings from CGP LLC using the HLBV form of the equity method of accounting for the three and nine months ended September 30, 2016 were equal to our preferred return of 10.5% of capital invested by CGP LLC plus an additional pro rata distribution due to the increase in CAC's contractual claim on CGP LLC's accounting balance sheet as a result of the sale of Caesars Interactive Entertainment, LLC's ("CIE", formerly Caesars Interactive Entertainment, Inc.) social and mobile games business (the "SMG Business") in September 2016. CAC's earnings from CGP LLC using the HLBV form of the equity method of accounting for the three and nine months ended September 30, 2015 were equal to our preferred return of 10.5% of capital invested by CGP LLC. CAC also receives distributions from CGP LLC in accordance with the Amended and Restated Limited Liability Company Agreement, the transaction agreement related to the formation of CGP LLC, ("CGP Operating Agreement") for reimbursement of its expenses incurred. These distributions are recorded as reductions to the equity method investment in Caesars Growth Partners, LLC.

Our investee, CGP LLC, had the following financial results as of or for the periods indicated (see CGP LLC financial information in Exhibit 99.1 ):

| | Nine Months Ended September 30, | |
|---|---|---|
| **(In millions)** | **2016** | **2015** |
| **Statements of Operations** | | |
| **Revenues** | | |
| Net revenues | $ 1,284.1 | $ 1,217.4 |
| **Operating expenses** | | |
| Direct operating expenses | 581.7 | 572.8 |
| Property, general, administrative and other | 559.4 | 363.0 |
| Write-downs, reserves and project opening costs, net of recoveries | 0.5 | 8.4 |
| Management fees to related parties | 33.3 | 45.1 |
| Depreciation and amortization | 129.5 | 110.9 |
| Change in fair value of contingently issuable non-voting membership units | — | (107.5) |
| Total operating expenses | 1,304.4 | 992.7 |
| (Loss)/income from operations | (20.3) | 224.7 |
| Interest expense, net of interest capitalized | (149.1) | (145.3) |
| Other income, net | — | 4.0 |
| (Loss)/income from continuing operations before benefit from income taxes | (169.4) | 83.4 |
| Benefit from income taxes | 9.2 | 3.8 |
| Net (loss)/income from continuing operations | (160.2) | 87.2 |
| **Discontinued operations** | | |
| Income from discontinued operations before income taxes, including $4,161.2 gain on sale of SMG Business in the third quarter of 2016 | 4,090.9 | 164.1 |
| Provision for income taxes related to discontinued operations | (13.8) | (49.7) |
| Net income from discontinued operations | 4,077.1 | 114.4 |
| Net income | 3,916.9 | 201.6 |
| Less: net loss/(income) attributable to non-controlling interests | 26.4 | (4.0) |
| Net income attributable to Caesars Growth Partners, LLC | $ 3,943.3 | $ 197.6 |
| | | |
| **Balance Sheet Data (at period end)** | **September 30, 2016** | **December 31, 2015** |
| Current assets | $ 4,590.8 | $ 1,250.0 |
| Long-term assets | 3,179.1 | 3,283.3 |
| Current liabilities | 752.0 | 388.2 |
| Long-term liabilities | 2,287.8 | 2,413.4 |
| Redeemable non-controlling interests | 0.9 | 0.5 |
| Equity attributable to Caesars Growth Partners, LLC | 4,718.6 | 1,691.0 |
| Non-redeemable non-controlling interests | 10.6 | 40.2 |

***Disposition of SMG Business***

On September 23, 2016, CIE, a Delaware limited liability company, a subsidiary of CGP LLC, sold its social and mobile games business (the "SMG Business") for $4.4 billion , subject to customary purchase price adjustments, to Alpha Frontier Limited, a Cayman Islands exempted company ("Purchaser") (such sale, together with the transactions contemplated under the Purchase Agreement, the "Sale"), pursuant to the Stock Purchase Agreement, dated as of July 30, 2016 (the "Purchase Agreement"), entered into by and among CIE, Purchaser, and, solely for certain limited purposes described therein, CGP LLC, and CIE Growth, LLC, a Delaware limited liability company. The Purchaser was backed by a consortium that includes Giant Investment (HK) Limited, an affiliate of Shanghai Giant Network Technology Co., Ltd.; Yunfeng Capital; China Oceanwide Holdings Group Co., Ltd.; China Minsheng Trust Co., Ltd.; CDH China HF Holdings Company Limited and Hony Capital Fund. As a result of the Sale, the historical results of CGP LLC have been recast to reflect the portion of the CIE business disposed of as discontinued operations for all periods presented herein.

CGP LLC recognized a pre-tax gain of approximately $4.2 billion from the Sale. To the extent that there are purchase price adjustments subsequent to September 30, 2016, the overall recorded gain on the transaction may be adjusted. At September 30, 2016, an estimated current income tax expense on the portion of the gain attributable to CAC in the amount of approximately $277.6 million was recorded on CAC's Condensed Balance Sheet within Accrued income taxes. CAC also recorded a Receivable from related party and a corresponding reduction in its Equity method investment in Caesars Growth Partners, LLC for $277.6 million , as CGP LLC is required under the terms of the CGP LLC Operating Agreement to pay CAC's tax obligation resulting from the Sale once such amount is paid by CAC.

Pursuant to the Purchase Agreement, CIE agreed to hold a portion of the Sale proceeds in a separate maintenance account (the "CIE Escrow Account") until the occurrence of certain bankruptcy release events. At September 30, 2016, the balance in the CIE Escrow Account was approximately $2,764.0 million , which is included as short-term Restricted cash in CGP LLC's Consolidated Condensed Balance Sheet.

In addition, CIE placed $264.0 million into escrow (the "Indemnity Escrow") to secure the potential indemnity claims of Purchaser for a period of twelve months from the closing of the Sale (the "SMG Business Sale Closing") pursuant to the terms of the Purchase Agreement. At September 30, 2016, the balance in the Indemnity Escrow was recorded on CGP LLC's Consolidated Condensed Balance Sheet as short-term Restricted cash and there were no indemnity claims made.

In connection with the SMG Business Sale Closing, CIE repurchased, immediately prior to the SMG Business Sale Closing, all of the shares of CIE common stock held by Rock Gaming Interactive LLC and by CIE's other minority investors (collectively, the "Minority Investors") for the right to receive cash payments representing the fair market value of such shares of CIE common stock at the SMG Business Sale Closing, determined as their pro-rata portion of the aggregate of (a) the Sale proceeds, (b) the fair market value of the WSOP and online real money gaming businesses remaining with CIE following the Sale, and (c) CIE cash on hand at the SMG Business Sale Closing. The difference between the consideration paid and the carrying value of the minority interest was recorded as a reduction to Additional paid-in capital in CGP LLC's Consolidated Condensed Balance Sheet.

None of the outstanding CIE stock options, restricted stock units or warrants were assumed by the Purchaser in the Sale. In connection with the Sale, and pursuant to the permitted authority under the Purchase Agreement and CIE's Amended and Restated Management Equity Incentive Plan, CIE accelerated the vesting of all of the outstanding options, restricted stock units and warrants of CIE (collectively, "CIE Equity Awards"), and, effective immediately prior to the SMG Business Sale Closing, canceled all such CIE Equity Awards in exchange for the right to receive cash payments equal to the intrinsic value of such awards. Expense related to the acceleration of the vesting of the CIE Equity Awards for employees who had historically provided services to the SMG Business was recorded to Discontinued operations and the expense related to the acceleration of the vesting of the CIE Equity Awards for remaining CIE employees was recorded to Property, general, administrative and other in CGP LLC's Consolidated Condensed Statements of Operations and Comprehensive Income.

The total pro-rata share of Sale proceeds delivered to the former holders of CIE Equity Awards and Minority Investors is subject to any purchase price adjustment pursuant to the Purchase Agreement and the release of proceeds, if any, from the Indemnity Escrow at the end of the escrow period, and will be paid to the Minority Investors and the former holders of CIE Equity Awards as and when such amounts are paid to CIE under the Purchase Agreement. The total amount distributed to Minority Investors and former holders of CIE Equity Awards in connection with the SMG Business Sale Closing was approximately $1,052.4 million .

At September 30, 2016, CGP LLC has accrued approximately $87.6 million in Accrued expenses and other current liabilities on its Consolidated Condensed Balance Sheet, representing CGP LLC's best estimate of the amounts still due to former minority shareholders and former holders of CIE Equity Awards for any purchase price adjustments and the release of proceeds held in the Indemnity Escrow.

***Contingently Issuable Non-voting Membership Units***

Pursuant to the terms of the transaction agreement related to the formation of CGP LLC, CGP LLC was obligated to issue additional non-voting membership units to Caesars Entertainment to the extent that the earnings from a specified portion of CIE's social and mobile games business exceeded a predetermined threshold amount in 2015. In April 2016, CGP LLC issued approximately 31.9 million Class B non-voting units pursuant to the terms of the October 21, 2013 transactions. As a result, CAC's economic ownership of CGP LLC decreased to approximately 38.8% in April 2016 from approximately 42.6% at March 31, 2016.

## Note 4 — Stockholders' Equity and Earnings Per Share

### *Stockholders' Equity*

Common Stock

As of September 30, 2016 and December 31, 2015 , CAC had a total of 137,760,236 and 137,341,569 shares outstanding, respectively, of Class A common stock and no shares of Class B common stock outstanding.

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 "Call Right"). 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 minimum 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. As of September 30, 2016 , the Call Right was not exercised.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of unrealized gain and losses on investments, net of taxes. For the three and nine months ended September 30, 2016 and 2015 , no amounts were reclassified out of Accumulated other comprehensive income.

### *Investment in Notes from Related Party*

CAC owns $137.5 million in aggregate principal amount of 6.50% senior notes previously issued by CEOC ("CEOC Notes"), which matured on June 1, 2016, and $151.4 million in aggregate principal amount of 5.75% CEOC Notes, maturing October 1, 2017. Both of these notes were included as a reduction of Additional paid-in capital in the Condensed Balance Sheets and Condensed Statements of Stockholders' Equity along with interest receivable at the distribution date. These notes are held at the distributed value with no subsequent adjustments such as fair value adjustments or interest receivable. Pursuant to the terms of the Amended Merger Agreement, CAC does not expect to collect principal or interest receivable from these notes.

### *Earnings Per Share*

Basic earnings per share ("EPS") is calculated by dividing net income by the weighted average number of common shares outstanding during the period in which the net income was earned. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock-based compensation plans using the treasury stock method.

The following table summarizes the computations of Basic EPS and Diluted EPS:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **(In millions, except per share data)** | **2016** | **2015** | **2016** | **2015** |
| Net income | $ 521.9 | $ 7.0 | $ 539.6 | $ 23.5 |
| | | | | |
| Shares used to compute EPS: | | | | |
| Weighted average common stock outstanding - basic | 137.5 | 136.4 | 137.4 | 136.4 |
| Dilutive potential common shares | 0.5 | 0.4 | 0.3 | 0.2 |
| Weighted average common stock outstanding - diluted | 138.0 | 136.8 | 137.7 | 136.6 |
| | | | | |
| Earnings per share: | | | | |
| Basic | $ 3.80 | $ 0.05 | $ 3.93 | $ 0.17 |
| Diluted | $ 3.78 | $ 0.05 | $ 3.92 | $ 0.17 |

There were no anti-dilutive shares excluded from the computation of diluted EPS for the three and nine months ended September 30, 2016 , respectively. There were 1.9 million anti-dilutive shares excluded for the three and nine months ended September 30, 2015 , respectively.

**Note 5 — Income Taxes**

Total provision for income taxes is as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (In millions) | 2016 | 2015 | 2016 | 2015 |
| Provision for income taxes | $ 141.3 | $ 8.2 | $ 158.5 | $ 25.1 |

CAC classifies 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 and potential interest or penalties associated with those liabilities. At September 30, 2016 , $97.0 million of reserve for tax uncertainties was classified in Deferred credits and other and at December 31, 2015 , there were no such reserves.

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 income and tax credit carryforwards. CAC's 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 and nine months ended September 30, 2016 was 21.3% and 22.7% , respectively, which differed from the federal statutory tax rate of 35.0% due to a decrease in federal valuation allowance recorded against deferred tax assets related to the basis difference in the investment in notes from related party as a result of the sale of CIE's social mobile gaming business by CGP LLC and the federal tax benefit of the dividends received from CIE through its investment in CGP LLC. The effective tax rate for the three and nine months ended September 30, 2015 was 53.9% and 51.6% , respectively, which differed from the federal statutory tax rate of 35.0% primarily due to a federal valuation allowance recorded against deferred tax assets related to the basis difference in the investment in notes from related party.

CAC files income tax returns with federal and state jurisdictions. The 2015, 2014 and 2013 tax years are open for examination for CAC's federal and state jurisdictions.

**Note 6 — Fair Value Measurements**

We do not have assets or liabilities that are measured at fair value on a recurring basis. In addition, we have not recognized any adjustments for asset and liabilities measured at fair value on a nonrecurring basis during the three and nine months ended September 30, 2016 and 2015 .

**Note 7 — Litigation, Contractual Commitments and Contingent Liabilities**

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

***Horseshoe Baltimore***

On October 21, 2013, CGP LLC purchased from CEOC 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 in Maryland, a licensed casino that opened in August 2014. Multiple lawsuits have been filed against CBAC Gaming, LLC ("CBAC Gaming") and CBAC Borrower, LLC ("CBAC Borrower"), the City of Baltimore, the Maryland Department of the Environment ("MDE") and other parties in relation to the 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.

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 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 defendants filed motions to dismiss the plaintiffs' amended complaint and a hearing was held 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 argument occurred on October 3, 2014. The Court of Special Appeals affirmed the dismissal on February 16, 2016. The time for Appellants to petition the Maryland Court of Appeals for a writ of certiorari has now lapsed.

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 (a joint venture among Caesars Baltimore Investment Company, LLC, Rock Gaming Mothership LLC, CVPR Gaming Holdings, LLC, STRON-MD Limited Partnership and PRT Two, LLC), the City of Baltimore, Whiting-Turner, the general contractor for the construction of the Horseshoe Baltimore 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 motions to dismiss were granted on July 16, 2014. An appeal was noted on August 13, 2014. Oral argument before the Fourth Circuit occurred on March 25, 2015. On July 1, 2015, the U.S. Court of Appeals for the Fourth Circuit reversed the motion to dismiss and remanded the matter back to the District Court. An order of dismissal was issued on July 5, 2016 following the settlement of the action by all parties. Dismissal of the action is with prejudice.

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, Whiting-Turner Contracting Company and Urban Green Environmental, LLC. The 11 count complaint alleged that the RAP for the location of Horseshoe Baltimore is inadequate and approved without appropriate public participation. The plaintiffs sought 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. The 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 the plaintiffs filed their oppositions on February 28, 2014. The case was dismissed on May 16, 2014 and no appeal was filed.

From time to time, the City of Baltimore may be subject to legal proceedings asserting claims related to the site. CBAC and CGP LLC have not been named as parties to these proceedings.

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. The plaintiffs dismissed the complaint without prejudice on September 12, 2013.

CAC and CGP LLC believe that the claims and demands described above against CBAC Borrower and CBAC Gaming are without merit and intend to defend themselves vigorously. At the present time, CAC and CGP LLC believe it is not probable that a material loss will result from the outcome of these matters. CAC and CGP LLC cannot provide assurance as to the outcome of these matters or of the range of reasonably possible losses should these matters ultimately be resolved against CAC and CGP LLC, due to the inherent uncertainty of litigation and, in some cases, the stage of the related litigation. Although CAC and CGP LLC believe that they have adequate defenses to these claims, an adverse judgment could result in additional costs or injunctions.

***CAC-CEC Proposed Merger***

On December 30, 2014, Nicholas Koskie, on behalf of himself and, he alleges, all others similarly situated, filed a lawsuit (the "Nevada Lawsuit") in the Clark County District Court in the State of Nevada against CAC, CEC and members of the CAC board of directors Marc Beilinson, Philip Erlanger, Dhiren Fonseca, Don Kornstein, Karl Peterson, Marc Rowan, and David Sambur (the individual defendants collectively, the "CAC Directors"). The Nevada Lawsuit alleges claims for breach of fiduciary duty against the CAC Directors and aiding and abetting breach of fiduciary duty against CAC and CEC. It seeks (1) a declaration that the claim for breach of fiduciary duty is a proper class action claim; (2) to order the CAC Directors to fulfill their fiduciary duties to CAC in connection with the Proposed Merger, specifically by announcing their intention to (a) cooperate with bona fide interested parties proposing alternative transactions, (b) ensure that no conflicts exist between the CAC Directors' personal interests and their fiduciary duties to maximize shareholder value in the Proposed Merger, or resolve all such conflicts in favor of the latter, and (c) act independently to protect the interests of the shareholders; (3) to order the CAC Directors to account for all damages suffered or to be suffered by the plaintiff and the putative class as a result of the Proposed Merger; and (4) to award the plaintiff for his costs and attorneys' fees. It is unclear whether the Nevada Lawsuit also seeks to enjoin the Proposed Merger. On October 14, 2016, the Nevada Lawsuit was dismissed without prejudice by the court for lack of prosecution. Pursuant to local rule, the case may be reinstated at the plaintiff's written request, provided such request is received no later than November 14, 2016. CAC and the CAC Directors believe this lawsuit is without merit and will defend themselves vigorously.

We cannot provide assurance as to the outcome of this matter or of the range of reasonably possible losses should this matter ultimately be resolved against us due to the inherent uncertainty of litigation and the stage of the related litigation.

***CEOC Bondholder Litigation, or Noteholder Disputes***

On August 4, 2014, Wilmington Savings Fund Society, FSB, solely in its capacity as successor indenture trustee for the 10% Second-Priority Senior Secured Notes due 2018 (the "Notes"), on behalf of itself and, it alleges, derivatively on behalf of CEOC, filed a lawsuit (the "Delaware Second Lien Lawsuit") in the Court of Chancery in the State of Delaware against CEC, CEOC, CGP LLC, CAC, Caesars Entertainment Resort Properties, LLC ("CERP"), Caesars Enterprise Services, LLC ("CES"), Eric Hession, Gary Loveman, Jeffrey D. Benjamin, David Bonderman, Kelvin L. Davis, Marc C. Rowan, David B. Sambur, and Eric Press. The lawsuit alleges claims for breach of contract, intentional and constructive fraudulent transfer, breach of fiduciary duty, aiding and abetting breach of fiduciary duty, and corporate waste. The lawsuit seeks (1) an award of money damages; (2) to void certain transfers, the earliest of which dates back to 2010; (3) an injunction directing the recipients of the assets in these transactions to return them to CEOC; (4) a declaration that CEC remains liable under the parent guarantee formerly applicable to the Notes; (5) to impose a constructive trust or equitable lien on the transferred assets; and (6) an award to the plaintiffs for their attorneys' fees and costs. The only claims against CAC and CGP LLC are for intentional and constructive fraudulent transfer. CAC and CGP LLC believe this lawsuit is without merit and will defend themselves vigorously. A motion to dismiss this action was filed by CEC and other defendants in September 2014, and the motion was argued in December 2014. During the pendency of its Chapter 11 bankruptcy proceedings, the action has been automatically stayed with respect to CEOC. The motion to dismiss with respect to CEC was denied on March 18, 2015. In a Verified Supplemental Complaint filed on August 3, 2015, the plaintiff stated that due to CEOC's bankruptcy filing, the continuation of all claims was stayed pursuant to the bankruptcy except for Claims II, III, and X. These are claims against CEC only, for breach of contract in respect of the release of the parent guarantee formerly applicable to the Notes, for declaratory relief in respect of the release of this guarantee, and for violations of the Trust Indenture Act in respect of the release of this guarantee. CEC has informed us that fact discovery in the case is substantially complete, and cross-motions for summary judgment have been filed by the parties. On October 5, 2016, the Bankruptcy Court granted CEOC's motion for a stay of this proceeding (and others). The stay will remain in effect until the earlier of (a) the first omnibus hearing after the Bankruptcy Court issues its decision confirming or denying confirmation of the CEOC reorganization plan, (b) the termination of the Second Lien RSA, as defined below, or (c) further order of the Bankruptcy Court.

On September 3, 2014, holders of approximately $21 million of CEOC Senior Unsecured Notes due 2016 and 2017 filed suit in federal district court in United States District Court for the Southern District of New York against CEC and CEOC, claiming broadly that an August 12, 2014 Note Purchase and Support Agreement between CEC and CEOC (on the one hand) and certain other holders of the CEOC Senior Unsecured Notes (on the other hand) impaired their own rights under the Senior Unsecured Notes. The lawsuit seeks both declaratory and monetary relief. On October 2, 2014, other holders of CEOC Senior Unsecured Notes due 2016 purporting to represent a class of all holders of these Notes from August 11, 2014 to the present filed a substantially similar suit in the same court, against the same defendants, relating to the same transactions. Both lawsuits (the "Senior Unsecured Lawsuits") were assigned to the same judge. The claims against CEOC have been automatically stayed during its Chapter 11 bankruptcy proceedings. The court denied a motion to dismiss both lawsuits with respect to CEC. The parties have completed fact discovery with respect to both plaintiffs' claims against CEC. On October 23, 2015, plaintiffs in the Senior Unsecured Lawsuits moved for partial summary judgment, and on December 29, 2015, those motions were denied. On December 4, 2015, plaintiff in the action brought on behalf of holders of CEOC's 6.50% Senior Unsecured Notes moved for class certification and briefing has been completed. The judge presiding over these cases thereafter retired, and a new judge was appointed to preside over these lawsuits. That judge set a new summary judgment briefing schedule, and the parties filed cross-motions for summary judgment which remain pending. On October 5, 2016, the Bankruptcy Court granted CEOC's motion for a stay of these proceedings (and others). The stay will remain in effect until the earlier of (a) the first omnibus hearing after the Bankruptcy Court issues its decision confirming or denying confirmation of the CEOC reorganization plan, (b) the termination of the Second Lien RSA or (c) further order of the Bankruptcy Court. CAC and CGP LLC are not parties to these lawsuits.

On November 25, 2014, UMB Bank ("UMB"), as successor indenture trustee for CEOC's 8.5% senior secured notes due 2020, filed a verified complaint (the "Delaware First Lien Lawsuit") in Delaware Chancery Court against CEC, CEOC, CERP, CAC, CGP LLC, CES, and against an individual, and past and present members of the CEC and CEOC Boards of Directors, Gary Loveman, Jeffrey Benjamin, David Bonderman, Kelvin Davis, Eric Press, Marc Rowan, David Sambur, Eric Hession, Donald Colvin, Fred Kleisner, Lynn Swann, Chris Williams, Jeffrey Housenbold, Michael Cohen, Ronen Stauber, and Steven Winograd, alleging generally that defendants have improperly stripped CEOC of prized assets, have wrongfully affected a release of a CEC parental guarantee of CEOC debt and have committed other wrongs. Among other things, UMB has asked the court to appoint a receiver over CEOC. In addition, the Delaware First Lien Lawsuit pleads claims for fraudulent conveyances/transfers, insider preferences, illegal dividends, declaratory judgment (for breach of contract as regards to the parent guarantee and also as to certain covenants in the bond indenture), tortious interference with contract, breach of fiduciary duty, aiding and abetting breach of fiduciary duty, usurpation of corporate opportunities, and unjust enrichment, and seeks monetary and equitable as well as declaratory relief. CAC and CGP LLC believe this lawsuit is without merit and will defend themselves vigorously. All of the defendants have moved to dismiss the lawsuit, and that motion has been fully briefed. In addition, this lawsuit has been automatically stayed with respect to CEOC during the Chapter 11 process and, pursuant to the (a) Fifth Amended and Restated Restructuring Support and Forbearance Agreement dated October 7, 2015, with certain holders of claims in respect of claims under CEOC's first lien notes (the "First Lien Bond RSA") and (b) Restructuring Support and Forbearance Agreement dated August 21, 2015, with certain holders of claims in respect of claims under CEOC's first lien credit agreement (the "First Lien Bank RSA" and, together with the First Lien Bond RSA, the "RSAs"), has been subject to a consensual stay for all.

On February 13, 2015, Caesars Entertainment received a Demand For Payment of Guaranteed Obligations (the "February 13 Notice") from Wilmington Savings Fund Society, FSB, in its capacity as successor Trustee for CEOC's 10.00% Second-Priority Notes. The February 13 Notice alleges that CEOC's commencement of its voluntary Chapter 11 bankruptcy case constituted an event of default under the indenture governing the 10.00% Second-Priority Notes; that all amounts due and owing on the 10.00% Second-Priority Notes therefore immediately became payable; and that Caesars Entertainment is responsible for paying CEOC's obligations on the 10.00% Second-Priority Notes, including CEOC's obligation to timely pay all principal, interest, and any premium due on these notes, as a result of a parent guarantee provision contained in the indenture governing the notes that the February 13 Notice alleges is still binding. The February 13 Notice accordingly demands that Caesars Entertainment immediately pay Wilmington Savings Fund Society, FSB, cash in an amount of not less than $3.7 billion , plus accrued and unpaid interest (including without limitation the $184 million interest payment due December 15, 2014 that CEOC elected not to pay) and accrued and unpaid attorneys' fees and other expenses. The February 13 Notice also alleges that the interest, fees and expenses continue to accrue. CAC and CGP LLC are not parties to this demand.

On February 18, 2015, Caesars Entertainment received a Demand For Payment of Guaranteed Obligations (the "February 18 Notice") from BOKF, N.A. ("BOKF"), in its capacity as successor Trustee for CEOC's 12.75% Second-Priority Senior Secured Notes due 2018 (the " 12.75% Second-Priority Notes"). The February 18 Notice alleges that CEOC's commencement of its voluntary Chapter 11 bankruptcy case constituted an event of default under the indenture governing the 12.75% Second-Priority Notes; that all amounts due and owing on the 12.75% Second-Priority Notes therefore immediately became payable; and that CEC is responsible for paying CEOC's obligations on the 12.75% Second-Priority Notes, including CEOC's obligation to timely pay all principal, interest and any premium due on these notes, as a result of a parent guarantee provision contained in the indenture governing the notes that the February 18 Notice alleges is still binding. The February 18 Notice therefore demands that CEC immediately pay BOKF cash in an amount of not less than $750 million , plus accrued and unpaid interest, accrued and unpaid attorneys' fees, and other expenses. The February 18 Notice also alleges that the interest, fees and expenses continue to accrue. CAC and CGP LLC are not parties to this demand.

On March 3, 2015, BOKF filed a lawsuit (the "New York Second Lien Lawsuit") against CEC in federal district court in Manhattan, in its capacity as successor trustee for CEOC's 12.75% Second-Priority Notes. On June 15, 2015, UMB filed a lawsuit (the "New York First Lien Lawsuit") against CEC, also in federal district court in Manhattan, in its capacity as successor trustee for CEOC's 11.25% Senior Secured Notes due 2017, 8.50% Senior Secured Notes due 2020, and 9.00% Senior Secured Notes due 2020. Plaintiffs in these actions allege that CEOC's filing of its voluntary Chapter 11 bankruptcy case constitutes an event of default under the indenture governing these notes, causing all principal and interest to become immediately due and payable, and that CEC is obligated to make those payments pursuant to a parent guarantee provision in the indentures governing these notes that plaintiffs allege are still binding. Both plaintiffs bring claims for violation of the Trust Indenture Act of 1939, breach of contract, breach of duty of good faith and fair dealing and for declaratory relief and BOKF brings an additional claim for intentional interference with contractual relations. The cases were assigned to the same judge presiding over the other Parent Guarantee Lawsuits, as defined below. CEC filed its answer to the BOKF complaint on March 25, 2015, and to the UMB complaint on August 10, 2015. On June 25, 2015, and June 26, 2015, BOKF and UMB, respectively, moved for partial summary judgment, specifically on their claims alleging a violation of the Trust Indenture Act of 1939, seeking both declaratory relief and damages. On August 27, 2015, those motions were denied. The court, on its own motion, certified its order with respect to the interpretation of the Trust Indenture Act for interlocutory appeal to the United States Court of Appeals for the Second Circuit, and on December 22, 2015, the appellate court denied CEC's motion for leave to appeal. On November 20, 2015, BOKF and UMB again moved for partial summary judgment. Those motions likewise were denied. The judge presiding over these cases thereafter retired, and a new judge was appointed to preside over these lawsuits. That judge set a new summary judgment briefing schedule, and the parties submitted cross-motions for summary judgment which remain pending. On October 5, 2016, the Bankruptcy Court granted CEOC's motion for a stay of the New York First Lien Lawsuit and the New York Second Lien Lawsuit (and others). The stay will remain in effect until the earlier of (a) the first omnibus hearing after the Bankruptcy Court issues its decision confirming or denying confirmation of the CEOC reorganization plan, (b) the termination of the restructuring support agreement with the Official Committee of Second Priority Noteholders (the "Second Lien RSA") or (c) further order of the Bankruptcy Court. CAC and CGP LLC are not parties to these lawsuits.

On October 20, 2015, Wilmington Trust, National Association ("Wilmington Trust"), filed a lawsuit (the "New York Senior Notes Lawsuit" and, together with the Delaware Second Lien Lawsuit, the Delaware First Lien Lawsuit, the Senior Unsecured Lawsuits, the New York Second Lien Lawsuit, and the New York First Lien Lawsuit, the "Parent Guarantee Lawsuits") against CEC in federal district court in Manhattan in its capacity as successor indenture trustee for CEOC's 10.75% Senior Notes due 2016 (the "10.75% Senior Notes"). Plaintiff alleges that CEC is obligated to make payment of amounts due on the 10.75% Senior Notes pursuant to a parent guarantee provision in the indenture governing those notes that plaintiff alleges is still in effect. Plaintiff raises claims for violations of the Trust Indenture Act of 1939, breach of contract, breach of the implied duty of good faith and fair dealing, and for declaratory judgment, and seeks monetary and declaratory relief. CEC filed its answer to the complaint on November 23, 2015. As with the other parent guarantee lawsuits taking place in Manhattan, the judge presiding over these cases retired and a new judge was appointed to preside over these lawsuits. That judge set a new summary judgment briefing schedule and the parties submitted cross-motions for summary judgment which remain pending. On October 5, 2016, the Bankruptcy Court granted CEOC's motion for a stay of this proceeding (and others). The stay will remain in effect until the earlier of (a) the first omnibus hearing after the Bankruptcy Court issues its decision confirming or denying confirmation of the CEOC reorganization plan, (b) the termination of the Second Lien RSA or (c) further order of the Bankruptcy Court.

In accordance with the terms of the applicable indentures and as previously disclosed, Caesars Entertainment believes that it is not subject to the above-described guarantees. As a result, Caesars Entertainment believes the demands for payment are without merit. The claims against CEOC have been stayed due to the Chapter 11 process and, except as described above, the actions against CEC have been allowed to continue.

CAC and CGP LLC believe that the claims and demands described above against CAC and CGP LLC in the Delaware First Lien Lawsuit and Delaware Second Lien Lawsuit are without merit and intend to defend themselves vigorously. For the Delaware First Lien Lawsuit and Delaware Second Lien Lawsuit, at the present time, CAC and CGP LLC believe it is not probable that a material loss will result from the outcome of these matters. However, given the uncertainty of litigation, CAC and CGP LLC cannot provide assurance as to the outcome of these matters or of the range of reasonably possible losses should the matters ultimately be resolved against them. Should these matters ultimately be resolved through litigation outside of the financial restructuring of CEOC, which CAC and CGP LLC believe these matters would likely be long and protracted, and were a court to find in favor of the claimants in the Delaware First Lien Lawsuit or the Delaware Second Lien Lawsuit, such determination could have a material adverse effect on CAC and CGP LLC's business, financial condition, results of operations, and cash flows.

As part of CEOC's bankruptcy proceeding, the Official Committee of Second Priority Noteholders ("Second Priority Noteholders") filed a standing motion in bankruptcy court on May 13, 2016 seeking standing to commence claims on behalf of CEOC's estate. The proposed complaint names as potential defendants CAC, CGP LLC, CIE, and CES as well as CEC and CERP among others, and seeks recovery of assets transferred from CEOC. The proposed complaint alleges claims on behalf of CEOC's estate ranging in value from $8.1 billion to $12.6 billion against all defendants, as valued by the Second Priority Noteholders. Of this amount, the Second Priority Noteholders allege potential claims against CAC, CGP LLC, and CIE ranging from $3.7 billion to $7.9 billion , without taking into account any duplicative recovery, based on calculations in an exhibit to the revised disclosure statement filed in the bankruptcy court on May 27, 2016. A hearing on the standing motion was held on October 19, 2016, and the standing motion was continued until January 17, 2017.

On October 5, 2016, CEOC announced the execution of, or amendment and restatement of, restructuring support agreements with representatives of all of CEOC's major creditor groups, as well as agreement to the terms of CEOC's third amended plan of reorganization. Included among these was the Second Lien RSA. Pursuant to the terms of the Second Lien RSA, CEOC and the Second Priority Noteholders have agreed to stay certain discovery deadlines and to hold in abeyance various proceedings pending before the bankruptcy court. The Second Priority Noteholders' standing motion, various claim objections and motions to compel will all be held in abeyance until (a) the date on which the Debtors' third amended plan becomes effective or (b) seven days after the termination of the Second Lien RSA for any reason, whichever is earlier. The Second Lien RSA further requires the consenting Second Priority Noteholders to vote in favor of the plan.

On August 9, 2016, CEOC and certain of its affiliates, each debtor in the Chapter 11 bankruptcy proceedings, filed an adversary complaint as part of the Chapter 11 bankruptcy proceeding against CAC, CIE, CGP LLC, and Caesars Growth Properties Holdings, LLC ("CGPH"), among others, including CEC, CES, and certain current and former directors of CEOC and CEC. In this adversary complaint, the plaintiffs assert claims against CAC for actual and constructive fraudulent conveyances and transfers. The plaintiffs allege, among other things, that certain transactions in which CAC purchased assets from CEOC constituted fraudulent conveyances, and that CAC did not provide CEOC with reasonably equivalent value for the assets acquired. The plaintiffs also claim certain transactions involving CIE constituted fraudulent transfers. The plaintiffs seek, among other relief, avoidance and/or rescission of the disputed transactions; return of assets transferred in those transactions; compensation from defendants for CEOC's alleged losses and damages; and an award to plaintiffs of the costs of the actions, including attorney's fees.

CAC, CIE, CGP LLC, and CGPH believe the above-referenced adversary complaint is without merit and intend to defend it vigorously, including by filing a motion to dismiss at the appropriate time. The status and timing of the adversary proceeding is affected by the Bankruptcy proceedings. On August 10, 2016, CEOC filed an emergency motion seeking, among other relief, to stay the above-referenced adversary proceeding. On August 23, 2016, the bankruptcy court granted the relief requested until the October 19, 2016 omnibus hearing. At the October 19, 2016 omnibus hearing, the bankruptcy court continued the adversary proceeding until the November 16, 2016 omnibus hearing.

***Report of Bankruptcy Examiner***

The Bankruptcy Court previously engaged an independent examiner to investigate possible claims CEOC might have against CEC, CAC, CGP LLC, other entities and certain individuals. On March 15, 2016, the examiner released his report in redacted form (to the public) and in unredacted form (to certain entities and individuals). On May 16, 2016, the examiner issued a substantially unredacted version of his report. CAC, CGP LLC and CIE do not have access to the unredacted report, and accordingly the description below is based on the substantially unredacted publicly-available report.

The examiner's report identifies a variety of potential claims against CAC, CGP LLC, CIE, other entities and certain individuals related to a number of transactions dating back to 2009. Most of the examiner's findings are based on his view that CEOC was "insolvent" at the time of the applicable transactions. The examiner's report includes his conclusions on the relative strength of these possible claims, many of which are described above. The examiner calculates an estimated range of potential damages for these potential claims as against all parties from $3.6 billion to $5.1 billion . The examiner calculates an estimated range of potential damages for potential claims against CAC, CGP LLC and CIE from $1.7 billion to $2.3 billion , ignoring potential duplication of recovery from other defendants. Neither calculation takes into account probability of success, likelihood of collection, or the time or cost of litigation.

Although this report was prepared at the request of the Bankruptcy Court, none of the findings are legally binding on the Bankruptcy Court or any party. CAC, CGP LLC and CIE contest many of the examiner's findings, including his finding that CEOC did not receive fair value for assets transferred, any suggestion that certain of the potential claims against CAC, CGP LLC and CIE have merit, and his calculation of potential damages. CAC, CGP LLC and its subsidiaries believe that each of the disputed transactions involving them provided substantial value to CEOC that was reasonably equivalent to the value of the asset (s) transferred, and that they at all times acted in good faith.

***National Retirement Fund***

In January 2015, a majority of the Trustees of the National Retirement Fund ("NRF"), a multi-employer defined benefit pension plan, voted to expel CEC and its participating subsidiaries, the CEC Group, from the plan. Neither CAC, CGP LLC nor any of their subsidiaries are part of the CEC Group. NRF claims that CEOC's bankruptcy presents an "actuarial risk" to the plan because, depending on the outcome of the bankruptcy proceeding, CEC might no longer be liable to the plan for any partial or complete withdrawal liability. NRF has advised the CEC Group that its expulsion has triggered withdrawal liability with a present value of approximately $360 million , payable in 80 quarterly payments of about $6 million .

Prior to NRF's vote, the CEC Group reiterated its commitment to remain in the plan and not seek rejection of any collective bargaining agreements in which the obligation to contribute to NRF exists. It is completely current with respect to pension contributions. The CEC Group is pursuing several litigation strategies to challenge NRF's action.

CEC believes that its legal arguments against the actions undertaken by NRF are strong and will pursue them vigorously. Because legal proceedings with respect to this matter are at the preliminary stages, CEC cannot currently provide assurance as to the ultimate outcome of the matters at issue.

***Other Matters***

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. In October 2013, CEOC's subsidiary, Desert Palace, Inc. (the owner of and referred to herein as Caesars Palace), received a letter from the Financial Crimes Enforcement Network of the

United States Department of the Treasury ("FinCEN"), stating that FinCEN was 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. Caesars Palace responded to FinCEN's letter in January 2014. Additionally, CEC was informed in October 2013 that a federal grand jury investigation regarding anti-money laundering practices of CEC and its subsidiaries had been initiated. CEC and Caesars Palace have been cooperating with FinCEN, the Department of Justice and the Nevada Gaming Control Board (the "GCB") on this matter. On September 8, 2015, FinCEN announced a settlement pursuant to which Caesars Palace agreed to an $8 million civil penalty for its violations of the Bank Secrecy Act, which penalty shall be treated as a general unsecured claim in Caesars Palace's bankruptcy proceedings. In addition, Caesars Palace agreed to conduct periodic external audits and independent testing of its AML compliance program, report to FinCEN on mandated improvements, adopt a rigorous training regime, and engage in a "look-back" for suspicious transactions. The terms of the FinCEN settlement were approved by the bankruptcy court on October 19, 2015.

CEOC and the GCB reached a settlement on the same facts as above, wherein CEC agreed to pay $1.5 million and provide to the GCB the same information that is reported to FinCEN and to resubmit its updated AML policies. On September 17, 2015, the settlement agreement was approved by the Nevada Gaming Commission. CEOC continues to cooperate with the Department of Justice in its investigation of this matter.

The Company is party to ordinary and routine litigation incidental to our business. We do not expect the outcome of any such litigation to have a material effect on our financial position, results of operations, or cash flows, as we do not believe it is reasonably possible that we will incur material losses as a result of such litigation.

## Note 8 — Stock-based Compensation

### *Restricted Stock Units*

During the nine months ended September 30, 2016 , certain restricted stock unit ("RSU") awards vested under the 2014 Performance Incentive Plan ("the PIP Plan").

The following is a summary of CAC's RSU activity for the nine months ended September 30, 2016 :

| | Restricted Stock Units | Fair Value [1] |
|---|---|---|
| Outstanding at January 1, 2016 | 525,997 | $ 12.19 |
| Granted | 361,349 | 10.52 |
| Vested | (91,044) | 10.78 |
| Outstanding at September 30, 2016 | 796,302 | 11.60 |

[1] Represents the weighted-average grant date fair value per RSU.

As of September 30, 2016 , there was approximately $5.7 million of total unrecognized compensation cost related to RSUs granted under the PIP Plan, which is expected to be recognized over a weighted-average remaining period of two years using the straight-line method.

During the three and nine months ended September 30, 2016 , total compensation expense recorded in earnings for RSUs granted under the PIP Plan was $0.8 million and $2.3 million , respectively. During the three and nine months ended September 30, 2015 , total compensation expense that was recorded in earnings for RSUs granted under the PIP Plan was $0.8 million and $4.1 million , respectively. This expense was included in Operating expenses in the Condensed Statements of Operations and Comprehensive Income.

RSUs granted to non-employees are equity-classified awards and are remeasured at fair value at the end of each reporting period.

### *Stock Options*

The following is a summary of CAC's stock option activity for the nine months ended September 30, 2016 :

| | Options | Weighted Average Exercise Price | Fair Value [1] | Weighted Average Remaining Contractual Term (years) | Aggregate Intrinsic Value (in millions) |
|---|---|---|---|---|---|
| Outstanding at January 1, 2016 | 1,420,000 | $ 9.51 | $ 4.99 | 8.9 | $ — |
| Exercised | (337,500) | 9.84 | 6.10 | | 0.9 |
| Outstanding at September 30, 2016 | 1,082,500 | 9.41 | 4.64 | 8.1 | 3.3 |
| Vested and expected to vest at September 30, 2016 | 1,082,500 | 9.41 | 4.64 | 8.1 | 3.3 |
| Exercisable at September 30, 2016 | 5,000 | 7.73 | 3.10 | 8.6 | — |

(1) Represents the weighted-average grant date fair value per option.

There were no stock option valuations required during the nine months ended September 30, 2016 . Stock options granted to employees are equity classified and measured at fair value at the date of grant. Valuation assumptions for stock options used in the Black-Scholes model to estimate fair value during the nine months ended September 30, 2015 were:

| | Nine Months Ended September 30, 2015 |
|---|---|
| Expected volatility | 39.9% - 45.7% |
| Weighted-average volatility | 45.5% |
| Expected dividend yield | —% |
| Expected term (in years) | 5.8 - 9.4 |
| Risk-free interest rate | 1.8% - 2.3% |

As of September 30, 2016 , there was approximately $0.1 million of total unrecognized compensation expense related to stock options granted under the PIP Plan, which is expected to be recognized over a weighted-average period of 1.6 years .

During the three and nine months ended September 30, 2016 , total compensation expense recorded in earnings for stock options was $0.4 million and $1.1 million , respectively. During the three and nine months ended September 30, 2015 , total compensation expense recorded in earnings for stock options was $0.4 million and $3.1 million , respectively. This expense was included in Operating expenses in the Condensed Statements of Operations and Comprehensive Income.

Pursuant to the described RSU vesting events and option exercises, CAC issued approximately 419,000 shares during the nine months ended September 30, 2016 . In accordance with the CGP Operating Agreement, CGP LLC issued an equivalent number of Class A voting units to CAC, such that the number of shares of CAC stock outstanding equals the number of Class A voting units of CGP LLC owned by CAC. CAC's economic ownership of CGP LLC was 38.9% at September 30, 2016 .

## Note 9 — Supplemental Cash Flow Information

Significant non-cash transactions for the nine months ended September 30, 2016 included (1) $721.3 million in income from our equity method investment in CGP LLC, (2) $17.9 million of fees and expenses paid directly by CGP LLC that were incurred by CAC and also accounted for as a non-cash distribution from CGP LLC, and (3) estimated net $277.6 million tax provision related to the gain on the Sale to be paid by CGP LLC on behalf of CAC offset by existing prepaid taxes previously recorded at CAC. Significant non-cash transactions for the nine months ended September 30, 2015 included (1) $73.0 million in income from our equity method investment in CGP LLC and (2) $16.7 million fees and expenses paid directly by CGP LLC that were incurred by CAC and also accounted for as a non-cash distribution from CGP LLC.

CAC's expenses incurred in the normal course of business are expected to be paid by CGP LLC on behalf of CAC in accordance with the CGP Operating Agreement.

During the nine months ended September 30, 2016 and 2015 , CGP LLC did not make tax payments on behalf of CAC.

There was no interest expense incurred or cash paid for interest for the nine months ended September 30, 2016 and 2015 .

**Note 10 — Related Party Transactions**

***Management Services Agreement with CES***

CES 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, (b) certain advisory and business management services, including developing business strategies, executing financing transactions and structuring acquisitions and joint ventures and (c) other services from time to time to CAC. In connection with the CGP Operating Agreement, CGP LLC pays for these services on behalf of CAC. CAC accounts for these amounts as non-cash distributions from CGP LLC, thereby reducing CAC's investment in CGP LLC.

***Share-based Payments to Non-employees of CAC or CGP LLC***

On April 9, 2014, the Board of Directors (the "Board") approved the CAC Equity-Based Compensation Plan for CEC Employees (the "Equity Plan"). Under the Equity Plan, CEC is authorized to grant stock options, stock appreciation rights, stock bonuses, restricted stock, performance stock, stock units, phantom stock, dividend equivalents, cash awards, rights to purchase or acquire shares or similar securities in the form of or with a value related to our common stock to officers, employees, directors, individual consultants and advisers of CEC and its subsidiaries. The Equity Plan will terminate on April 9, 2024. Subject to adjustments in connection with certain changes in capitalization, the maximum value of the shares of our common stock that may be delivered pursuant to awards under the Equity Plan is $25.0 million . Expense associated with the Equity Plan is recorded as management fee expense by CGP LLC, totaling $0.3 million and $1.7 million for the three and nine months ended September 30, 2016 , respectively, and $2.0 million and $11.1 million for the three and nine months ended September 30, 2015 , respectively.

***Stock-based Compensation Granted to Related Parties***

In December 2014, CAC granted RSU awards and options to a related party consultant under the PIP Plan. During the three month period ended March 31, 2015, the service period for these grants was accelerated to end in July 2015. The vesting period remained unchanged. During the three and nine months ended September 30, 2015 , $0.4 million and $4.4 million expense was recognized related to these grants, respectively. As the service period ended on July 2015, there was no expense recognized for these grants during the three and nine months ended September 30, 2016 .

In May 2014, CAC granted RSUs to an employee. During the three month period ended March 31, 2016, this individual terminated employment and became a related party consultant. The vesting period and service period remained unchanged. Expense recognized for the RSU grants during the three and nine months ended September 30, 2016 was immaterial.

In June 2016, CAC granted RSU awards to a related party consultant under the PIP Plan. During both the three and nine months ended September 30, 2016 , $0.3 million of expense was recognized related to these grants.

***Investment in Notes from Related Party***

CAC owns $137.5 million in aggregate principal amount of 6.50% CEOC Notes, which matured on June 1, 2016, and $151.4 million in aggregate principal amount of 5.75% CEOC Notes, maturing October 1, 2017. Both of these notes were included as a reduction of Additional paid-in capital in the Condensed Balance Sheets and Condensed Statements of Stockholders' Equity along with interest receivable at the distribution date. These notes are held at the distributed value with no subsequent adjustments such as fair value adjustments or interest receivable. Pursuant to the terms of the Amended Merger Agreement, CAC does not expect to collect principal or interest receivable from these notes. For accounting purposes, the fair value of the distribution of these notes from CGP LLC reduced the deployed capital upon which the minimum guaranteed return to CAC has been calculated prospectively from the August 6, 2014 distribution date.

**Note 11 — Subsequent Events**

***Equity and Equity Awards***

During October 2016, certain RSU awards under the PIP Plan and under the Equity Plan vested and stock options were exercised under the PIP Plan. Pursuant to these events, CAC issued 464,737 shares. In accordance with the CGP Operating Agreement, CGP LLC issued an equivalent number of Class A voting units to CAC, such that the number of shares of CAC stock outstanding equals the number of Class A voting units of CGP LLC owned by CAC. CAC's economic ownership of CGP LLC increased from approximately 38.9% to 39.0% .

## 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 and nine months ended September 30, 2016 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, 2015 .

### Basis of Presentation and Discussion

CAC's primary asset is its membership interest in CGP LLC, a variable interest entity of which Caesars Entertainment Corporation ("CEC" or "Caesars Entertainment") is the primary beneficiary. 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.

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 as an exhibit to this Quarterly Report on Form 10-Q . As we believe that the comparative information for CAC's investment in CGP LLC is material to investors in CAC, we also have presented information for CGP LLC in this management's discussion and analysis of financial condition and results of operations.

#### *Proposed Merger of CAC with CEC*

On December 21, 2014, the Company and CEC entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which, among other things, CAC will merge with and into CEC, with CEC as the surviving company (the "Proposed Merger"). On July 9, 2016, CAC and CEC agreed to amend and restate the Merger Agreement (the "Amended Merger Agreement"). See Note 1 — Description of Business and Basis of Presentation to the CAC financial statements in this Quarterly Report on Form 10-Q for further details.

## CAESARS ACQUISITION COMPANY

### Operating Results

#### *Income from Equity Method Investment*

For the three and nine months ended September 30, 2016 , CAC recognized $672.5 million and $721.3 million , respectively, of income before tax from its equity method investment in CGP LLC. For the three and nine months ended September 30, 2015 , CAC recognized $24.4 million and $73.0 million , respectively, of income before tax from its equity method investment in CGP LLC, which equals the amount of income that CAC was entitled to under its minimum guarantee return. Income from equity method investment in Caesars Growth Partners, LLC increased due to the increase in CAC's contractual claim on CGP LLC's accounting balance sheet as a result of the sale of Caesars Interactive Entertainment, LLC's ("CIE", formerly Caesars Interactive Entertainment, Inc.) social and mobile games business (the "SMG Business") in September 2016.

#### *Operating Expenses*

In addition to its income from equity method investment, CAC incurs direct expenses which are primarily related to professional services fees, payroll and related expenses as well as general liability insurance, licenses and fees. For the three and nine months ended September 30, 2016 , CAC incurred direct expenses of $9.3 million and $23.2 million , respectively. For the three and nine months ended September 30, 2015 , CAC incurred direct expenses of $9.2 million and $24.4 million , respectively. For the nine months ended September 30, 2016 , direct expenses decreased primarily due to decreases in stock-based compensation expense offset by increases in professional services expenses.

#### *Provision for Income Taxes*

The provision for income taxes for the three and nine months ended September 30, 2016 was $141.3 million and $158.5 million , respectively, and $8.2 million and $25.1 million for the three and nine months ended September 30, 2015 , respectively. See Note 5 — Income Taxes to the CAC financial statements in this Quarterly Report on Form 10-Q for a detailed discussion of income taxes and the effective tax rates.

### Liquidity and Capital Resources

#### *Capital Spending*

CAC has not incurred, nor is it expected to incur, capital expenditures in the normal course of business or to pursue acquisition opportunities other than through CGP LLC.

***Capital Resources***

CAC's primary 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, including income tax obligations, are paid by CGP LLC on behalf of CAC pursuant to the amended and restated limited liability company agreement of CGP LLC (the "CGP Operating Agreement"). 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 (the "Call Right"). As of September 30, 2016 , the Call Right was not exercised.

Following October 21, 2018 and until April 21, 2022, our Board of Directors (the "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 September 30, 2016 or December 31, 2015 .

**Recently Issued Accounting Pronouncements**

The information regarding recent accounting pronouncements is included in Note 2 — Recently Issued Accounting Pronouncements to the CAC financial statements in this Quarterly Report on Form 10-Q.

## CAESARS GROWTH PARTNERS, LLC

**Overview**

CGP LLC's Interactive Entertainment operating unit consists of CIE, which is comprised of two distinct but complementary businesses: *World Series of Poker* ("WSOP") and regulated online real money gaming. CGP LLC's Casino Properties and Developments operating unit consists of Planet Hollywood Resort & Casino ("Planet Hollywood"), Harrah's New Orleans, The LINQ Hotel & Casino, Bally's Las Vegas, The Cromwell and CGP LLC's 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 in Maryland.

On September 23, 2016, CIE, a Delaware limited liability company, a subsidiary of CGP LLC, sold its SMG Business for $4.4 billion , subject to customary purchase price adjustments, to Alpha Frontier Limited, a Cayman Islands exempted company ("Purchaser") (such sale, together with the transactions contemplated under the Purchase Agreement, the "Sale"), pursuant to the Stock Purchase Agreement, dated as of July 30, 2016 (the "Purchase Agreement"), entered into by and among CIE, Purchaser, and, solely for certain limited purposes described therein, CGP LLC, and CIE Growth, LLC, a Delaware limited liability company. The Purchaser was backed by a consortium that includes Giant Investment (HK) Limited, an affiliate of Shanghai Giant Network Technology Co., Ltd.; Yunfeng Capital; China Oceanwide Holdings Group Co., Ltd.; China Minsheng Trust Co., Ltd.; CDH China HF Holdings Company Limited and Hony Capital Fund. CGP LLC recognized a pre-tax gain of approximately $4.2 billion from the Sale. As a result of the Sale, the historical results of CGP LLC have been recast to reflect the portion of the CIE business disposed of as discontinued operations for all periods presented herein.

**Operating Results of CGP LLC**

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| (In millions) | 2016 | 2015 | Change | 2016 | 2015 | Change |
| Net revenues | $ 422.5 | $ 417.7 | $ 4.8 | $ 1,284.1 | $ 1,217.4 | $ 66.7 |
| (Loss)/income from operations | (107.1) | 29.8 | (136.9) | (20.3) | 224.7 | (245.0) |
| Net (loss)/income from continuing operations | (163.7) | (16.8) | (146.9) | (160.2) | 87.2 | (247.4) |
| Net income from discontinued operations | 4,019.4 | 37.3 | 3,982.1 | 4,077.1 | 114.4 | 3,962.7 |
| Adjusted EBITDA (1) | 102.1 | 96.6 | 5.5 | 324.3 | 271.9 | 52.4 |

(1) See Reconciliations of Net Income/(Loss) to Adjusted Earnings before Interest Income/Expense, Income Taxes, Depreciation and Amortization ("EBITDA").

Performance of the Casino Properties and Developments operating unit is measured in part through tracking of trips by rated customers, which means a customer whose gaming activity is tracked through the 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 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.

*Third Quarter 2016 results compared with Third Quarter 2015*

Net revenues were impacted primarily by the following:

- Continued expansion of entertainment options at Planet Hollywood positively impacted other revenues; and
- Increases in room revenues due to increased room rates, resort fees and higher occupancy rates at The LINQ Hotel & Casino, which was substantially completed and available to guests in early May 2015.
- These increases were partially offset by lower casino revenues at Harrah's New Orleans due to unfavorable volume and hold when compared to the prior year and lower food and beverage revenues for all of CGP LLC's casino properties.

Net revenues for the third quarter of 2016 increased by $4.8 million , or 1.1% , when compared to the same period in 2015 . Total trips decreased by approximately 6.5% during the third quarter of 2016 when compared to the same period in 2015 . Gross casino hold decreased to 12.3% for the quarter ended September 30, 2016 from 12.5% for the quarter ended September 30, 2015 .

Cash average daily room rates for the third quarter of 2016 increased to $129 , or 8.4% , when compared to $119 for the same period in 2015 . Average daily occupancy was 95.5% and 92.7% for the third quarter of 2016 and 2015 , respectively. Revenue per available room for the third quarter of 2016 and 2015 was $120 and $109 , respectively, or an increase of 10.1% .

Loss from operations for the third quarter of 2016 was $107.1 million as compared to income from operations of $29.8 million for the same period in 2015 , which was a decrease of $136.9 million . The decrease in (loss)/income from operations was primarily due to an increase in stock-based compensation expense and transaction related costs associated with the Sale. In connection with the Sale, CIE accelerated the vesting of all of the outstanding options, restricted stock units and warrants of CIE (collectively, "CIE Equity Awards"), and, effective immediately prior to the closing, canceled the CIE Equity Awards in exchange for the right to receive cash payments. Excluding the impact of stock-based compensation expense, transaction costs related to the Sale and the change in fair value of contingently issuable non-voting membership units, income from operations for the third quarter of 2016 increased by $4.9 million primarily due to the income impact of increased revenues at Planet Hollywood related to the expansion of entertainment options and a decrease in management fees to related parties offset by an increase in general and administrative expenses related to the expansion of entertainment options at Planet Hollywood and an increase in depreciation expense at Planet Hollywood resulting from the acceleration of depreciation for assets that will be replaced as a result of renovations.

Net loss from continuing operations for the third quarter of 2016 was $163.7 million as compared to $16.8 million for the same period in 2015 , which was an increase in net loss of $146.9 million . The increase in net loss from continuing operations was primarily due to the factors discussed for the decrease in (loss)/income from operations.

Net income from discontinued operations for the third quarter of 2016 was $4,019.4 million as compared to $37.3 million for the same period in 2015 , which was an increase of $3,982.1 million , primarily due to the recognition of a pre-tax gain of $4,161.2 million from the Sale.

Adjusted EBITDA for the third quarter of 2016 was $102.1 million as compared to $96.6 million for the same period in 2015 , which was an increase of $5.5 million , or 5.7% , driven primarily by the income impact of increased revenues as discussed above.

*Nine Months Ended September 30, 2016 results compared with September 30, 2015*

Net revenues were impacted primarily by the following:

- Continued expansion of entertainment options at Planet Hollywood positively impacted other revenues;

- Increases in all categories of revenues as a result of renovations at The LINQ Hotel & Casino; and

- Increase in casino revenues at Horseshoe Baltimore due to increases in both slot and table volumes.

- These increases were partially offset by lower revenues at Harrah's New Orleans as a result of the April 2015 smoking ban.

Net revenues for the nine months ended September 30, 2016 increased by $66.7 million , or 5.5% , when compared to the same period in 2015 . Total trips decreased by approximately 4.6% during the nine months ended September 30, 2016 when compared to the same period in 2015 . Gross casino hold increased to 12.2% for the nine months ended September 30, 2016 from 12.0% for the nine months ended September 30, 2015 .

Cash average daily room rates for the nine months ended September 30, 2016 increased to $132 , or 9.1% , when compared to $121 for the same period in 2015 . Average daily occupancy was 95.1% and 93.1% for the nine months ended September 30, 2016 and 2015 , respectively. Revenue per available room for the nine months ended September 30, 2016 and 2015 was $122 and $112 , respectively, or an increase of 8.9% .

Loss from operations for the nine months ended September 30, 2016 was $20.3 million as compared to income from operations of $224.7 million for the same period in 2015 , which was a decrease of $245.0 million . The decrease in (loss)/income from operations is primarily attributable to an increase in stock-based compensation expense and transaction related costs associated with the Sale and the change in the fair value of contingently issuable non-voting membership units recognized in the prior year with no comparable change recognized subsequent to December 31, 2015, offset by the increases in net revenues. In connection with the Sale, CIE accelerated the vesting of all of the CIE Equity Awards, and, effective immediately prior to the closing, canceled the CIE Equity Awards in exchange for the right to receive cash payments. Excluding the impact of stock-based compensation expense, transaction costs related to the Sale and the change in fair value of contingently issuable non-voting membership units, income from operations for the nine months ended September 30, 2016 increased by $45.5 million when compared to the same period in 2015 primarily due to the income impact of increased revenues as discussed above offset by an increase in general and administrative expenses related to the expansion of entertainment options at Planet Hollywood and an increase in depreciation expense at Planet Hollywood resulting from the acceleration of depreciation for assets that will be replaced as a result of renovations.

Net loss from continuing operations for the nine months ended September 30, 2016 was $160.2 million as compared to net income from continuing operations of $87.2 million for the same period in 2015 , which was a decrease of $247.4 million , primarily due to the factors discussed for the decrease in (loss)/income from operations.

Net income from discontinued operations for the nine months ended September 30, 2016 was $4,077.1 million as compared to $114.4 million for the same period in 2015 , which was an increase of $3,962.7 million , primarily due to the recognition of a pre-tax gain of $4,161.2 million from the Sale.

Adjusted EBITDA for the nine months ended September 30, 2016 was $324.3 million as compared to $271.9 million for the same period in 2015 , which was an increase of $52.4 million , or 19.3% , driven primarily by the income impact of increased revenues as discussed above offset by an increase in general and administrative expenses related to the expansion of entertainment options at Planet Hollywood.

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 products, gaming credits, food and beverage credits, hotel room credits, and other forms. The retail value of accommodations, food and beverage credits, 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 its allocation of promotional allowances to be within industry standards and appropriate for its brands and competitive environment.

## Other Factors Affecting Net Income

| (In millions) | Three Months Ended September 30, 2016 | 2015 | Change | Nine Months Ended September 30, 2016 | 2015 | Change |
|---|---|---|---|---|---|---|
| Interest expense, net of interest capitalized | $ (49.0) | $ (50.1) | $ 1.1 | $ (149.1) | $ (145.3) | $ (3.8) |
| Other income, net | — | 5.0 | (5.0) | — | 4.0 | (4.0) |
| (Provision for)/benefit from income taxes | (7.6) | (1.5) | (6.1) | 9.2 | 3.8 | 5.4 |
| Net loss/(income) attributable to non-controlling interests | 33.2 | (1.7) | 34.9 | 26.4 | (4.0) | 30.4 |

### *Interest Expense, Net of Interest Capitalized*

The debt agreements captioned in the following table are defined in Liquidity and Capital Resources . The table below summarizes CGP LLC's Interest expense, net of interest capitalized as it relates to these agreements:

| (In millions) | Three Months Ended September 30, 2016 | 2015 | Change | Nine Months Ended September 30, 2016 | 2015 | Change |
|---|---|---|---|---|---|---|
| CGPH Term Loan, Revolving Credit Facility, and 2022 Notes | $ (36.3) | $ (37.2) | $ 0.9 | $ (109.5) | $ (110.7) | $ 1.2 |
| Cromwell Credit Facility | (5.2) | (5.4) | 0.2 | (15.5) | (16.2) | 0.7 |
| Baltimore Credit and FF&E Facilities | (7.5) | (7.6) | 0.1 | (22.5) | (22.6) | 0.1 |
| Other interest (expense)/income, net of interest capitalized | — | 0.1 | (0.1) | (1.6) | 4.2 | (5.8) |
| Interest expense, net of interest capitalized | $ (49.0) | $ (50.1) | $ 1.1 | $ (149.1) | $ (145.3) | $ (3.8) |

### *Other Income, Net*

For the three and nine months ended September 30, 2015 , Other income, net was $5.0 million and $4.0 million , respectively, primarily related to CIE's gain recognized on a contract termination.

### *Provision for Income Taxes*

The provision for income taxes for CGP LLC represents the income taxes from its subsidiary, CIE, which was taxed as a corporation for federal, state and foreign income tax purposes through September 22, 2016. The provision for income taxes for CGP LLC for the three and nine months ended September 30, 2016 differs from the expected federal tax rate of 35.0% primarily due to CGP LLC income not taxed at the CGP LLC entity level offset by the tax impacts of nondeductible expenses of CIE and the tax impacts of the distribution of the WSOP and regulated online real money gaming businesses to CGP LLC. The provision for income taxes for CGP LLC for the three and nine months ended September 30, 2015 differs from the expected federal tax rate of 35.0% primarily due to CGP LLC income not taxed at the CGP LLC entity level.

### *Net (Income)/Loss Attributable to Non-controlling Interests*

CGP LLC's non-controlling interest reflects the non-controlling interest associated with consolidating CIE and the Maryland Joint Venture into CGP LLC. As a result of the Sale, all CIE shares held by the non-controlling interest holders were repurchased at the estimated fair value of the share price as of the closing date of the Sale. Net loss attributable to non-controlling interests in CIE was $36.1 million and $31.6 million for the three and nine months ended September 30, 2016 , respectively. Net income attributable to non-controlling interests in CIE was $4.1 million and $14.7 million for the three and nine months ended September 30, 2015 , respectively. Net income attributable to non-controlling interests in the Maryland Joint Venture was $2.9 million and $5.2 million for the three and nine months ended September 30, 2016 , respectively. Net loss attributable to the non-controlling interest in Maryland Joint Venture was $2.4 million and $10.7 million for the three and nine months ended September 30, 2015 , respectively.

## Reconciliations of Net Income/(Loss) to Adjusted EBITDA

CGP LLC uses Adjusted EBITDA as a supplemental measure of its financial performance. EBITDA is comprised of income/(loss) from continuing operations before (i) interest expense, net of capitalized interest, (ii) interest income, (iii) provision for income taxes, and (iv) depreciation and amortization expense. Adjusted EBITDA is comprised of EBITDA, further adjusted for certain items that CGP LLC does not consider indicative of its ongoing operating performance.

The financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in the United States. Adjusted EBITDA is a non-GAAP financial measure that is 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. Because not all companies use identical calculations, the presentation of CGP LLC's EBITDA and Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **(In millions)** | **2016** | **2015** | **2016** | **2015** |
| **Net (loss)/income from continuing operations** | $ (163.7) | $ (16.8) | $ (160.2) | $ 87.2 |
| Provision for/(benefit from) income taxes | 7.6 | 1.5 | (9.2) | (3.8) |
| **(Loss)/income from continuing operations before income taxes** | (156.1) | (15.3) | (169.4) | 83.4 |
| Interest expense, net of interest capitalized | 49.0 | 50.1 | 149.1 | 145.3 |
| Depreciation and amortization | 47.3 | 39.2 | 129.5 | 110.9 |
| **EBITDA** | (59.8) | 74.0 | 109.2 | 339.6 |
| Stock-based compensation [1] | 145.3 | 14.8 | 191.5 | 27.1 |
| Write-downs, reserves and project opening costs, net of recoveries [2] | (1.3) | 1.8 | 0.5 | 8.4 |
| Change in fair value of contingently issuable non-voting membership units [3] | — | 7.3 | — | (107.5) |
| Other income, net | — | (5.0) | — | (4.0) |
| Other [4] | 17.9 | 3.7 | 23.1 | 8.3 |
| **Adjusted EBITDA** | $ 102.1 | $ 96.6 | $ 324.3 | $ 271.9 |

(1) Amounts represent stock-based compensation expense related to stock options, restricted stock and restricted stock units.
(2) Amounts include development costs related to the construction of The Cromwell and Horseshoe Baltimore, and the renovations at The LINQ Hotel & Casino and Planet Hollywood.
(3) Amounts represent the change in fair value of contingently issuable membership units associated with the CIE earn-out calculation related to the transactions establishing CGP LLC.
(4) Amounts represent other add-backs and deductions to arrive at Adjusted EBITDA but not separately identified, such as transaction costs associated with the Sale and other acquisition and integration costs and lobbying expenses.

## Liquidity and Capital Resources

### *Capital Spending*

CGP LLC incurs capital expenditures in the normal course of business, performs ongoing refurbishment and maintenance at its existing casino entertainment facilities, and periodically expands and enhances the information technology infrastructure required to operate its social and mobile games in order 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 while cash used for development projects is typically funded from specific project financing and additional debt offerings. 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 capital spending and maintenance, if they go forward, could 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. CGP LLC's cash used for capital spending from continuing operations was $13.3 million and $44.7 million for the three and nine months ended September 30, 2016 , respectively, and $21.5 million and $147.5 million for the three and nine months ended September 30, 2015 , respectively.

The majority of capital spending in 2016 related to property renovations at Planet Hollywood. For the three and nine months ended September 30, 2016 , capital expenditures net of related payables for Planet Hollywood were $8.4 million and $24.3 million , respectively. The majority of the 2015 capital spending related to the renovation of The LINQ Hotel & Casino. The LINQ Hotel & Casino began opening a portion of the Phase II renovations in March 2015 and it was substantially completed in early May 2015. For the three and nine months ended September 30, 2015 , capital expenditures net of related payables for The LINQ Hotel & Casino were $12.5 million and $98.2 million , respectively.

### *Liquidity*

CGP LLC and its subsidiaries' primary sources of liquidity include currently available cash and cash equivalents, cash flows generated from its operations and borrowings under the $150.0 million Caesars Growth Properties Holdings, LLC ("CGPH" and the "Borrower") revolving credit agreement ("Revolving Credit Facility"), which is intended to satisfy CGPH's short-term liquidity needs. CGP LLC's cash and cash equivalents, excluding restricted cash, totaled $1,139.8 million and $790.7 million as of September 30, 2016 and December 31, 2015 , 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, repurchase of equity from CIE's management shareholders, working capital needs and capital expenditures in the normal course of business. CGP LLC's ability to refinance debt will depend upon numerous factors such as market conditions, CGP LLC's financial performance, and the limitations applicable to such transactions under CGP LLC's and its subsidiaries' financing documents. Additionally, CGP LLC's ability to fund operations, pay debt obligations, and fund planned capital expenditures depends, in part, upon economic and other factors that are beyond CGP LLC's control, and disruptions in capital markets and restrictive covenants related to CGP LLC's existing debt could impact CGP LLC's ability to fund liquidity needs, pay indebtedness and secure additional funds through financing activities.

CGP LLC's restricted cash totaled $3,360.4 million and $11.5 million as of September 30, 2016 and December 31, 2015 , respectively. As of September 30, 2016, Restricted cash includes $2,764.0 million restricted under the terms of the Stock Purchase Agreement, and under the CIE Proceeds and Reservation Rights Agreement entered into between CIE, CAC, CEC and Caesars Entertainment Operating Company, Inc. ("CEOC") on September 9, 2016 which requires certain proceeds from the Sale ("CIE Proceeds") to be deposited into the CIE escrow account (the "CIE Escrow Account"). Amounts may be distributed from the CIE Escrow Account only: (i) pursuant to the terms of the term sheet included in the CIE Proceeds and Reservation Rights Agreement and the agreement entered into among Wilmington Trust, National Association (the "Escrow Agent"), CIE and CEOC, governing the CIE Escrow Account (the "Escrow Agreement"), (ii) with the joint written consent of CIE and CEOC, or (iii) pursuant to an order of a court of competent jurisdiction. Restricted cash and cash equivalents also include amounts restricted under the terms of the Baltimore Credit Facility, as defined below. The classification of restricted cash between current and long-term is dependent upon the intended use of each particular reserve.

As of September 30, 2016 and December 31, 2015 , respectively, CGP LLC had $2,336.3 million and $2,402.3 million face value of indebtedness outstanding, including capital lease indebtedness. Cash paid for interest for the nine months ended September 30, 2016 and 2015 was $123.7 million and $126.9 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***

The following table presents CGP LLC's outstanding third-party debt as of September 30, 2016 and December 31, 2015 .

| (In millions) | Final Maturity | Interest Rates at September 30, 2016 | Face Value at September 30, 2016 | Book Value at September 30, 2016 | Book Value at December 31, 2015 |
|---|---|---|---|---|---|
| Secured debt | | | | | |
| Caesars Growth Properties Holdings Revolving Credit Facility [(1)] | 2019 | variable | $ — | $ — | $ 45.0 |
| Caesars Growth Properties Holdings Term Loan | 2021 | 6.25% | 1,148.6 | 1,120.8 | 1,125.7 |
| Caesars Growth Properties Holdings Notes | 2022 | 9.375% | 675.0 | 661.7 | 660.3 |
| Horseshoe Baltimore Credit and FF&E Facilities | 2019 - 2020 | 8.25% - 8.75% | 321.0 | 310.4 | 315.0 |
| Cromwell Credit Facility | 2019 | 11.00% | 172.4 | 167.9 | 169.2 |
| Capital lease obligations | 2016 - 2017 | various | 0.1 | 0.1 | 1.2 |
| Other financing obligations | 2018 | 8.00% | 4.7 | 4.0 | 3.8 |
| Unsecured debt | | | | | |
| Special Improvement District Bonds | 2037 | 5.30% | 13.7 | 13.7 | 14.1 |
| Other financing obligations | 2016 | various | 0.8 | 0.8 | 3.0 |
| Total debt | | | 2,336.3 | 2,279.4 | 2,337.3 |
| Current portion of total debt | | | (21.5) | (21.5) | (69.7) |
| Long-term debt | | | $ 2,314.8 | $ 2,257.9 | $ 2,267.6 |

(1) Variable interest rate calculated as London Inter-Bank Offered Rate ("LIBOR") plus 5.00% for payments subsequent to May 9, 2016 and LIBOR plus 5.25% for payments prior to May 9, 2016.

Caesars Growth Properties Holdings Senior Secured Credit Facility

On May 8, 2014, CGPH closed on the $1.175 billion term loan (the "CGPH 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 provides for a $150.0 million revolving credit agreement which was undrawn at the closing of the CGPH Term Loan. As of September 30, 2016 , no borrowings were outstanding under the Revolving Credit Facility and $0.1 million was committed to outstanding letters of credit. Borrowings under the Revolving Credit Facility are each subject to separate note agreements executed based on the provisions of the Credit Agreement.

Borrowings under the CGPH Term Loan bear interest at a rate equal to, at the Borrower's option, either (a) the LIBOR determined by reference to the costs of funds for Eurodollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs, subject to a floor of 1.00% in the case of term loans or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.50% , (ii) the prime rate as determined by the Administrative Agent under the Credit Agreement and (iii) the one-month adjusted LIBOR rate plus 1.00% , in each case plus an applicable margin. Such applicable margin shall be 5.25% per annum for LIBOR loans and 4.25% per annum for base rate loans, subject to step downs with respect to the revolving loans based on CGPH's senior secured leverage ratio ("SSLR"). In addition, on a quarterly basis, CGPH is required to pay each lender under the Revolving Credit Facility a commitment fee in respect of any unused commitments under the Revolving Credit Facility, which is subject to a leverage based pricing grid. CGPH is also required to pay customary agency fees as well as letter of credit participation fees computed at a rate per annum equal to the applicable margin for LIBOR borrowings on the dollar equivalent of the daily stated amount of outstanding letters of credit, plus such letter of credit issuer's customary documentary and processing fees and charges and a fronting fee in an amount equal to 0.125% of the daily stated amount of such letter of credit.

As of September 30, 2016 and December 31, 2015 , the book value of the CGPH Term Loan was presented net of the unamortized discount of $23.7 million and $27.0 million , respectively, and net of unamortized debt issuance costs of $4.1 million and $4.7 million , respectively. The effective interest rate was 6.86% as of both September 30, 2016 and December 31, 2015 .

The CGPH Term Loan is guaranteed by the Parent and the material, domestic wholly-owned subsidiaries of CGPH (subject to exceptions), and is secured by a pledge of the equity interest of CGPH directly held by the Parent and substantially all of the existing and future property and assets of CGPH and the subsidiary guarantors (subject to exceptions).

The CGPH Term Loan includes negative covenants, subject to certain exceptions, restricting or limiting CGPH's ability and the ability of its restricted subsidiaries to, among other things: (i) incur additional debt or issue certain preferred shares; (ii) pay dividends on or make distributions in respect of their capital stock or make other restricted payments; (iii) make certain investments; (iv) sell certain assets; (v) create liens on certain assets to secure debt; (vi) consolidate, merge, sell, or otherwise dispose of all or substantially all of their assets; (vii) enter into certain transactions with their affiliates and (viii) designate their subsidiaries as unrestricted subsidiaries. The CGPH Term Loan also contains customary affirmative covenants and customary events of default, subject to customary or agreed-upon exceptions, baskets and thresholds (including equity cure provisions).

The CGPH Term Loan requires that CGPH maintains a SSLR of no more than 6.00 to 1.00 , which is the ratio of first lien senior secured net debt to EBITDA, adjusted as defined. As of September 30, 2016 , CGPH's SSLR was 2.86 to 1.00 .

As of September 30, 2016 and December 31, 2015 , the assets of Harrah's New Orleans, Bally's Las Vegas, Planet Hollywood and The LINQ Hotel & Casino were pledged as collateral for the CGPH Term Loan.

*Caesars Growth Properties Holdings Notes*

CGPH and Caesars Growth Properties Finance, Inc. ("Finance" and each, an "Issuer" and together, the "Issuers") issued $675.0 million aggregate principal amount of 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 US Bank National Association, as trustee.

As of September 30, 2016 and December 31, 2015 , the book value of the 2022 Notes was presented net of the unamortized discount of $11.7 million and $12.9 million , respectively, and net of unamortized debt issuance costs of $1.6 million and $1.8 million , respectively. The effective interest rate was 9.84% as of both September 30, 2016 and December 31, 2015 .

The 2022 Notes are secured by substantially all of the existing and future property and assets of CGPH and the subsidiary guarantors (subject to exceptions).

The 2022 Notes include negative covenants, subject to certain exceptions, restricting or limiting CGPH's ability and the ability of its restricted subsidiaries to, among other things: (i) incur additional debt or issue certain preferred shares; (ii) pay dividends on or make distributions in respect of their capital stock or make other restricted payments; (iii) make certain investments; (iv) sell certain assets; (v) create liens on certain assets to secure debt; (vi) consolidate, merge, sell, or otherwise dispose of all or substantially all of their assets; (vii) enter into certain transactions with their affiliates and (viii) designate their subsidiaries as unrestricted subsidiaries. The 2022 Notes also contain customary affirmative covenants and customary events of default, subject to customary or agreed-upon exceptions, baskets and thresholds (including equity cure provisions).

As of September 30, 2016 and December 31, 2015 , the assets of Harrah's New Orleans, Bally's Las Vegas, Planet Hollywood and The LINQ Hotel & Casino were pledged as collateral for the 2022 Notes.

*Intercreditor Agreement and Collateral Agreements*

On May 20, 2014, intercreditor and collateral agreements were entered into which establish the subordination of the liens securing the 2022 Notes to the liens securing first priority lien obligations and secures the payment and performance when due of all of the obligations under the 2022 Notes and the $1.325 billion senior secured credit facilities (the "Senior Secured Credit Facilities"), which consist of the CGPH Term Loan and the Revolving Credit Facility, the related guarantees and the security documents. Subject to the terms of the security documents, CGPH and the subsidiary guarantors have the right to remain in possession and retain exclusive control of the collateral securing the 2022 Notes and the Senior Secured Credit Facilities (other than certain assets and obligations), to freely operate the collateral and to collect, invest and dispose of any income therefrom.

*Horseshoe Baltimore Credit and FF&E Facilities*

CBAC, a joint venture among Caesars Baltimore Investment Company, LLC, Rock Gaming Mothership LLC, CVPR Gaming Holdings, LLC, STRON-MD Limited Partnership and PRT Two, LLC, 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 (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 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 that was fully drawn in June 2014 and a $37.5 million delayed draw facility that was drawn by $10.0 million in September 2014, $17.0 million in October 2014 and $10.5 million in November 2014 and (ii) a $10.0 million senior secured revolving facility with a five-year maturity that remained undrawn at September 30, 2016 . The Baltimore Credit Facility is secured by substantially all material assets of CBAC and its wholly-owned domestic subsidiaries.

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 of 7.00% . 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 of any unused commitments under the revolving credit facility, (ii) a 0.125% fronting fee in respect of the aggregate face amount of 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, 2016 and December 31, 2015 , the book value of the Baltimore Credit Facility was presented net of the unamortized discount of $6.8 million and $7.9 million , respectively, and net of unamortized debt issuance costs of $3.8 million and $4.4 million , respectively. The effective interest rate was 9.77% as of both September 30, 2016 and December 31, 2015 .

In connection with the foregoing, Caesars Baltimore Investment Company, LLC 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 Investment Company, LLC under its completion guarantee representing fair value was approximately $9.1 million . During the year ended December 31, 2015 , the restrictions on cash set aside for this guarantee were released and the balance of $9.1 million was paid to CEOC.

As of September 30, 2016 and December 31, 2015 , the assets of Horseshoe Baltimore were pledged as collateral for the Baltimore Credit Facility.

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 four quarters, 6.0 to 1.0 for the next four quarters and 4.75 to 1.0 for the remainder of the agreement beginning two quarters after the commencement of operations of the Baltimore Development. Commencement of operations is defined to occur when certain conditions as defined in the credit agreement are met, which occurred during the quarter ended June 30, 2015. As of September 30, 2016 , CBAC Borrower, LLC's SSLR was 3.07 to 1.00 .

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 ("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. The Baltimore FF&E Facility will mature in 2019. CBAC drew down $20.0 million from this facility in November 2014 and the remaining $10.0 million in December 2014.

For the Baltimore FF&E Facility, the loan bears interest 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 be equal to the greater of (i) the LIBOR in effect for such interest period multiplied by statutory reserves and (ii) 1.25% .

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 September 30, 2016 .

*Cromwell Credit Facility*

In November 2012, Corner Investment Propco, LLC ("PropCo"), a wholly-owned subsidiary of The Cromwell, entered into a $185.0 million, seven-year senior secured credit facility bearing interest at LIBOR plus 9.75% with a LIBOR floor of 1.25% (the "Cromwell Credit Facility") to fund the renovation of the former Bill's Gamblin' Hall and Saloon into a boutique lifestyle hotel, rebranded as The Cromwell. The renovation included a complete remodeling of the guest rooms, casino floor, and common areas, the addition of a second floor restaurant, and the construction of an approximately 65,000 square foot rooftop pool and dayclub/nightclub. The Cromwell owns the property and the dayclub/nightclub is leased to a third party. The Cromwell's gaming floor opened on April 21, 2014 and its 188 hotel rooms became available to guests starting on May 21, 2014.

As of September 30, 2016 and December 31, 2015 , the book value of the Cromwell Credit Facility was presented net of the unamortized discount of $3.2 million and $3.8 million , respectively, and net of unamortized debt issuance costs of $1.3 million and $1.6 million , respectively. The effective interest rate was 11.92% as of both September 30, 2016 and December 31, 2015 .

The Cromwell Credit Facility also contains certain affirmative and negative covenants and requires PropCo to maintain a SSLR of no more than 5.25 to 1.00 during the first quarter of 2016, which is the ratio of PropCo's first lien senior secured net debt to consolidated PropCo EBITDA. The SSLR from the second quarter of 2016 through the first quarter of 2017 may not exceed 5.00 to 1.00 . The SSLR beginning in the second quarter of 2017 and for each fiscal quarter thereafter may not exceed 4.75 to 1.00 . As of September 30, 2016 , PropCo's SSLR was 4.80 to 1.00 .

The Cromwell Credit Facility allows the right to cure provided that (i) in each eight-fiscal-quarter period there shall be no more than five fiscal quarters in which the cure right is exercised and (ii) the cure right may not be exercised in any fiscal quarter that immediately follows two consecutive fiscal quarters in which it was exercised.

As of September 30, 2016 and December 31, 2015 , the assets of The Cromwell were pledged as collateral for the Cromwell Credit Facility.

*Special Improvement District Bonds*

In 2008, Bally's Las Vegas entered into a District Financing Agreement with Clark County, Nevada (the "County"). In accordance with the agreement, the County issued Special Improvement District Bonds to finance land improvements at Bally's Las Vegas and at an affiliate casino property, Caesars Palace. Of the total bonds issued by the County, $16.5 million was related to Bally's Las Vegas. These bonds bear interest at 5.30% , have principal and interest payments on June 1st of every year and interest only payments on December 1st of every year. The Special Improvement District Bonds mature on August 1, 2037.

*Financing Obligations*

During 2013, CGP LLC entered into multiple finance agreements for a total of $7.2 million for gaming equipment. The assets related to these agreements are included in Land, property and equipment, net of accumulated depreciation in the accompanying Consolidated Condensed Balance Sheets.

*CIE Credit Facility*

CIE entered into a credit facility 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 were required on the unsecured intercompany loans until their maturity date of November 29, 2016. The unsecured intercompany loans bore interest on the unpaid principal amounts at a rate per annum equal to LIBOR plus 5% . This credit facility did not have any restrictive or affirmative covenants. During the year ended December 31, 2015, CIE repaid in full the $39.8 million outstanding balance.

***Contingently Issuable Non-voting Membership Units***

Pursuant to the terms of the transaction agreement related to the formation of CGP LLC, CGP LLC was obligated to issue additional non-voting membership units to Caesars Entertainment to the extent that the earnings from a specified portion of CIE's social and mobile games business exceeded a predetermined threshold amount in 2015. In April 2016, CGP LLC issued approximately 31.9 million Class B non-voting units pursuant to the terms of the October 21, 2013 transactions. As a result, CAC's economic ownership of CGP LLC decreased to approximately 38.8% in April 2016 from approximately 42.6% at March 31, 2016.

***Other Obligations and Commitments***

The table below summarizes CGP LLC's debt and related interest obligations as of September 30, 2016 .

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| (In millions) | Total | Remainder of 2016 | 1-3 years | 4-5 years | After 5 years |
| Debt payable to third parties, face value | $ 2,336.3 | $ 6.0 | $ 244.5 | $ 1,399.3 | $ 686.5 |
| Estimated interest payments to third parties [(1)] | 907.4 | 84.3 | 546.0 | 239.9 | 37.2 |

(1) Estimated interest for variable rate debt included in this table is based on rates at September 30, 2016 .

***Off-Balance Sheet Arrangements***

CGP LLC did not have any off-balance sheet arrangements at September 30, 2016 and December 31, 2015 .

**Recently Issued Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* , which amends the FASB Accounting Standards Codification ("ASC") and creates a new Topic 606, *Revenue from Contracts with Customers* . This guidance provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Existing industry guidance, including revenue recognition guidance specific to the gaming industry, will be eliminated. In addition, interim and annual disclosures will be substantially revised. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* , which defers the effective date of ASU 2014-09 for all entities by one year. In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* , which (1) clarifies the principle for determining whether a good or service is separately identifiable from other promises in the contract and, therefore, should be accounted for separately, (2) allows entities to disregard items that are immaterial in the context of a contract, and (3) clarifies how an entity should evaluate the nature of its promise in granting a license by categorizing intellectual property into two categories which will determine whether revenue is recognized at a point in time or over time. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients* , which clarify and amend certain guidance in Topic 606 on assessing collectability, presentation of sales taxes and other similar taxes collected from customers, non-cash consideration, and completed contracts and contract modifications at transition. In addition, the ASU clarifies that an entity that retrospectively applies the guidance in Topic 606 to each prior reporting period is not required to disclose the effect of the accounting change for the period of adoption; however, an entity is required to disclose the effect on any periods retrospectively adjusted. The ASUs are effective for public business entities for fiscal years beginning after December 15, 2017, and interim reporting periods within that reporting period. Early application is permitted for fiscal years beginning after December 15, 2016, including interim reporting periods within that reporting period. CGP LLC is currently assessing the impact the adoption of these standards will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* , which requires recognizing lease assets and lease liabilities on the balance sheet and disclosing key quantitative and qualitative information about leasing arrangements. Generally, leases with terms of 12 months or less will not be required to be recognized on the balance sheet. The new standard requires the recognition and measurement of leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. For public business entities, the ASU will be effective for fiscal years beginning after December 15, 2018, and interim periods within those years. Early adoption is permitted. CGP LLC is currently assessing the impact the adoption of this standard will have on its financial statements.

In March 2016, the FASB issued ASU No. 2016-07, *Investments - Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting,* which eliminates the requirement for retroactive adjustment when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence. The amendments in this ASU also require that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. The amendments in this guidance are effective for fiscal years beginning after December 15, 2016, and interim periods within those years. Early adoption is permitted. CGP LLC is currently assessing the impact the adoption of this standard will have on its financial statements, but does not believe, based upon preliminary data, that the impact will be material.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory,* which requires the recognition of income tax consequences resulting from transfers on intra-entity assets other than inventory when the transfer occurs. The amendments in this ASU should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. This ASU is effective for public entities for fiscal years beginning after December 15, 2017, and interim reporting periods within those years. Early application is permitted. CGP LLC is currently assessing the impact the adoption of these standards will have on its financial statements.

The information regarding additional recently issued accounting pronouncements is included in Note 2 — Recently Issued Accounting Pronouncements as accounting pronouncements that are relevant to CAC are also relevant to CGP LLC.

**Recent Developments for CGP LLC**

See Note 11 — Subsequent Events to the CAC financial statements in this Quarterly Report on Form 10-Q for recent developments.

**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. You should not place undue reliance on such statements because they are subject to numerous uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy. 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 that 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 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 estimates reflecting the best judgment of CAC and CGP LLC'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 and CGP LLC may differ materially from those expressed or implied by such forward-looking statements. We disclose important factors that could cause actual results to differ materially from our expectations under "Risk Factors" and elsewhere in this Form 10-Q and the documents incorporated by reference. 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 (the "SEC") (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, including Caesars Enterprise Services, LLC ("CES"), to provide support and services, as well as CGP LLC's dependence on Caesars Entertainment's and CES' senior management's expertise and its participation in Caesars Entertainment's Total Rewards loyalty program;

- the effects of a default by Caesars Entertainment or CEOC on certain debt obligations;

- the ability of Caesars Entertainment to meet its financial obligations in light of its limited cash balances;

- Caesars Entertainment's interests may conflict with CAC and CGP LLC's interests and Caesars Entertainment may possibly keep all potential development opportunities for itself;

- the adverse effects due to the bankruptcy filing of CEOC and certain of its subsidiaries;

- 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 and CGP LLC license 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 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 assets and companies that CGP LLC acquires into its operations;

- the effects of any lawsuits against CAC, CGP LLC or CGPH related to the October 21, 2013 transactions ("Transactions"), the May 2014 asset purchase transactions ("Asset Purchase Transactions") and the proposed CAC and Caesars Entertainment merger transaction;

- the Proposed Merger may not be consummated on the terms contemplated or at all;

- the adverse effects if 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 CGP LLC's business to reductions in discretionary consumer spending;
- the rapidly growing and changing industry in which CGP LLC operates, such as CIE's 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 CGP LLC's casino properties face in their respective markets;
- CGP LLC's ability to expand into international markets in light of additional business, regulatory, operational, financial and economic risks associated with such expansion;
- the effect on CGP LLC's business strategy if online real money gaming is not legalized in states other than Delaware, Nevada or New Jersey in the United States, is legalized in an unfavorable manner or is banned in the United States;
- political and economic uncertainty created by terrorist attacks and other acts of war or hostility; and
- the other factors set forth under " Risk Factors ."

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 and CGP LLC disclaim 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, foreign currency exchange rates and commodity prices.

***Market Risks Related to Investments***

CAC's primary exposure to market risk is related to concentration of credit risk associated with its investments in debt securities which are included as a component of equity in our Condensed Balance Sheets as these investments are not diversified across industries or companies.

CAC does not purchase or hold any derivative financial instruments for hedging or trading purposes.

**CAESARS GROWTH PARTNERS, LLC**

***Market Risks Related to Debt***

Assuming a constant outstanding balance for our variable rate debt, a hypothetical 1.0% increase in interest rates would increase interest expense for the next twelve months by $12.9 million . At September 30, 2016 , the weighted average U.S. Dollar LIBOR rate on our variable rate debt was 0.86% . A hypothetical reduction of this rate to zero would have no impact on interest expense for the next twelve months.

CGP LLC does not purchase or hold any derivative financial instruments for trading purposes.

As of September 30, 2016 , CGP LLC's third party long-term variable rate debt reflects borrowings under their credit facilities provided to CGP LLC by a consortium of banks with a total capacity of $1,801.8 million . The interest rates charged on borrowings under these facilities are a function of LIBOR. As such, the interest rates charged to CGP LLC for borrowings under the facilities are subject to change as LIBOR changes.

Debt covenant compliance is disclosed in the Liquidity and Capital Resources section above.

***Market Risks Related to Foreign Currency***

CGP LLC's foreign currency risk primarily related to social and mobile games revenue generated outside of the United States with cash denominated in foreign currencies. Through the date of the Sale, CGP LLC had operations in Argentina, Belarus, Canada, Israel, Japan, Romania, Ukraine, and the United Kingdom.

## Item 4. Controls and Procedures .

### *Evaluation of Disclosure Controls and Procedures*

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the specified time periods and accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act) at September 30, 2016 . Based on this evaluation required by paragraph (b) of Rules 13a-15 or 15d-15, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2016 .

### *Changes in Internal Controls*

There have not been changes in internal controls over financial reporting during the three months ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

# PART II. OTHER INFORMATION

**Item 1. Legal Proceedings .**

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

***Horseshoe Baltimore***

On October 21, 2013, CGP LLC purchased from CEOC 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 in Maryland, a licensed casino that opened in August 2014. Multiple lawsuits have been filed against CBAC Gaming, LLC ("CBAC Gaming") and CBAC Borrower, LLC ("CBAC Borrower"), the City of Baltimore, the Maryland Department of the Environment ("MDE") and other parties in relation to the 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.

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 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 defendants filed motions to dismiss the plaintiffs' amended complaint and a hearing was held 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 argument occurred on October 3, 2014. The Court of Special Appeals affirmed the dismissal on February 16, 2016. The time for Appellants to petition the Maryland Court of Appeals for a writ of certiorari has now lapsed.

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 (a joint venture among Caesars Baltimore Investment Company, LLC, Rock Gaming Mothership LLC, CVPR Gaming Holdings, LLC, STRON-MD Limited Partnership and PRT Two, LLC), the City of Baltimore, Whiting-Turner, the general contractor for the construction of the Horseshoe Baltimore 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 motions to dismiss were granted on July 16, 2014. An appeal was noted on August 13, 2014. Oral argument before the Fourth Circuit occurred on March 25, 2015. On July 1, 2015, the U.S. Court of Appeals for the Fourth Circuit reversed the motion to dismiss and remanded the matter back to the District Court. An order of dismissal was issued on July 5, 2016 following the settlement of the action by all parties. Dismissal of the action is with prejudice.

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, Whiting-Turner Contracting Company and Urban Green Environmental, LLC. The 11 count complaint alleged that the RAP for the location of Horseshoe Baltimore is inadequate and approved without appropriate public participation. The plaintiffs sought 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. The 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 the plaintiffs filed their oppositions on February 28, 2014. The case was dismissed on May 16, 2014 and no appeal was filed.

From time to time, the City of Baltimore may be subject to legal proceedings asserting claims related to the site. CBAC and CGP LLC have not been named as parties to these proceedings.

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. The plaintiffs dismissed the complaint without prejudice on September 12, 2013.

CAC and CGP LLC believe that the claims and demands described above against CBAC Borrower and CBAC Gaming are without merit and intend to defend themselves vigorously. At the present time, CAC and CGP LLC believe it is not probable that a material loss will result from the outcome of these matters. CAC and CGP LLC cannot provide assurance as to the outcome of these matters or of the range of reasonably possible losses should these matters ultimately be resolved against CAC and CGP LLC, due to the inherent uncertainty of litigation and, in some cases, the stage of the related litigation. Although CAC and CGP LLC believe that they have adequate defenses to these claims, an adverse judgment could result in additional costs or injunctions.

***CAC-CEC Proposed Merger***

On December 30, 2014, Nicholas Koskie, on behalf of himself and, he alleges, all others similarly situated, filed a lawsuit (the "Nevada Lawsuit") in the Clark County District Court in the State of Nevada against CAC, CEC and members of the CAC board of directors Marc Beilinson, Philip Erlanger, Dhiren Fonseca, Don Kornstein, Karl Peterson, Marc Rowan, and David Sambur (the individual defendants collectively, the "CAC Directors"). The Nevada Lawsuit alleges claims for breach of fiduciary duty against the CAC Directors and aiding and abetting breach of fiduciary duty against CAC and CEC. It seeks (1) a declaration that the claim for breach of fiduciary duty is a proper class action claim; (2) to order the CAC Directors to fulfill their fiduciary duties to CAC in connection with the Proposed Merger, specifically by announcing their intention to (a) cooperate with bona fide interested parties proposing alternative transactions, (b) ensure that no conflicts exist between the CAC Directors' personal interests and their fiduciary duties to maximize shareholder value in the Proposed Merger, or resolve all such conflicts in favor of the latter, and (c) act independently to protect the interests of the shareholders; (3) to order the CAC Directors to account for all damages suffered or to be suffered by the plaintiff and the putative class as a result of the Proposed Merger; and (4) to award the plaintiff for his costs and attorneys' fees. It is unclear whether the Nevada Lawsuit also seeks to enjoin the Proposed Merger. On October 14, 2016, the Nevada Lawsuit was dismissed without prejudice by the court for lack of prosecution. Pursuant to local rule, the case may be reinstated at the plaintiff's written request, provided such request is received no later than November 14, 2016. CAC and the CAC Directors believe this lawsuit is without merit and will defend themselves vigorously.

We cannot provide assurance as to the outcome of this matter or of the range of reasonably possible losses should this matter ultimately be resolved against us due to the inherent uncertainty of litigation and the stage of the related litigation.

***CEOC Bondholder Litigation, or Noteholder Disputes***

On August 4, 2014, Wilmington Savings Fund Society, FSB, solely in its capacity as successor indenture trustee for the 10% Second-Priority Senior Secured Notes due 2018 (the "Notes"), on behalf of itself and, it alleges, derivatively on behalf of CEOC, filed a lawsuit (the "Delaware Second Lien Lawsuit") in the Court of Chancery in the State of Delaware against CEC, CEOC, CGP LLC, CAC, Caesars Entertainment Resort Properties, LLC ("CERP"), CES, Eric Hession, Gary Loveman, Jeffrey D. Benjamin, David Bonderman, Kelvin L. Davis, Marc C. Rowan, David B. Sambur, and Eric Press. The lawsuit alleges claims for breach of contract, intentional and constructive fraudulent transfer, breach of fiduciary duty, aiding and abetting breach of fiduciary duty, and corporate waste. The lawsuit seeks (1) an award of money damages; (2) to void certain transfers, the earliest of which dates back to 2010; (3) an injunction directing the recipients of the assets in these transactions to return them to CEOC; (4) a declaration that CEC remains liable under the parent guarantee formerly applicable to the Notes; (5) to impose a constructive trust or equitable lien on the transferred assets; and (6) an award to the plaintiffs for their attorneys' fees and costs. The only claims against CAC and CGP LLC are for intentional and constructive fraudulent transfer. CAC and CGP LLC believe this lawsuit is without merit and will defend themselves vigorously. A motion to dismiss this action was filed by CEC and other defendants in September 2014, and the motion was argued in December 2014. During the pendency of its Chapter 11 bankruptcy proceedings, the action has been automatically stayed with respect to CEOC. The motion to dismiss with respect to CEC was denied on March 18, 2015. In a Verified Supplemental Complaint filed on August 3, 2015, the plaintiff stated that due to CEOC's bankruptcy filing, the continuation of all claims was stayed pursuant to the bankruptcy except for Claims II, III, and X. These are claims against CEC only, for breach of contract in respect of the release of the parent guarantee formerly applicable to the Notes, for declaratory relief in respect of the release of this guarantee, and for violations of the Trust Indenture Act in respect of the release of this guarantee. CEC has informed us that fact discovery in the case is substantially complete, and cross-motions for summary judgment have been filed by the parties. On October 5, 2016, the Bankruptcy Court granted CEOC's motion for a stay of this proceeding (and others). The stay will remain in effect until the earlier of (a) the first omnibus hearing after the Bankruptcy Court issues its decision confirming or denying confirmation of the CEOC reorganization plan, (b) the termination of the Second Lien RSA, as defined below, or (c) further order of the Bankruptcy Court.

On September 3, 2014, holders of approximately $21 million of CEOC Senior Unsecured Notes due 2016 and 2017 filed suit in federal district court in United States District Court for the Southern District of New York against CEC and CEOC, claiming broadly that an August 12, 2014 Note Purchase and Support Agreement between CEC and CEOC (on the one hand) and certain other holders of the CEOC Senior Unsecured Notes (on the other hand) impaired their own rights under the Senior Unsecured Notes. The lawsuit seeks both declaratory and monetary relief. On October 2, 2014, other holders of CEOC Senior Unsecured Notes due 2016 purporting to represent a class of all holders of these Notes from August 11, 2014 to the present filed a substantially similar suit in the same court, against the same defendants, relating to the same transactions. Both lawsuits (the "Senior Unsecured Lawsuits") were assigned to the same judge. The claims against CEOC have been automatically stayed during its Chapter 11 bankruptcy proceedings. The court denied a motion to dismiss both lawsuits with respect to CEC. The parties have completed fact discovery with respect to both plaintiffs' claims against CEC. On October 23, 2015, plaintiffs in the Senior Unsecured Lawsuits moved for partial summary judgment, and on December 29, 2015, those motions were denied. On December 4, 2015, plaintiff in the action brought on behalf of holders of CEOC's 6.50% Senior Unsecured Notes moved for class certification and briefing has been completed. The judge presiding over these cases thereafter retired, and a new judge was appointed to preside over these lawsuits. That judge set a new summary judgment briefing schedule, and the parties filed cross-motions for summary judgment which remain pending. On October 5, 2016, the Bankruptcy Court granted CEOC's motion for a stay of these proceedings (and others). The stay will remain in effect until the earlier of (a) the first omnibus hearing after the Bankruptcy Court issues its decision confirming or denying confirmation of the CEOC reorganization plan, (b) the termination of the Second Lien RSA or (c) further order of the Bankruptcy Court. CAC and CGP LLC are not parties to these lawsuits.

On November 25, 2014, UMB Bank ("UMB"), as successor indenture trustee for CEOC's 8.5% senior secured notes due 2020, filed a verified complaint (the "Delaware First Lien Lawsuit") in Delaware Chancery Court against CEC, CEOC, CERP, CAC, CGP LLC, CES, and against an individual, and past and present members of the CEC and CEOC Boards of Directors, Gary Loveman, Jeffrey Benjamin, David Bonderman, Kelvin Davis, Eric Press, Marc Rowan, David Sambur, Eric Hession, Donald Colvin, Fred Kleisner, Lynn Swann, Chris Williams, Jeffrey Housenbold, Michael Cohen, Ronen Stauber, and Steven Winograd, alleging generally that defendants have improperly stripped CEOC of prized assets, have wrongfully affected a release of a CEC parental guarantee of CEOC debt and have committed other wrongs. Among other things, UMB has asked the court to appoint a receiver over CEOC. In addition, the Delaware First Lien Lawsuit pleads claims for fraudulent conveyances/transfers, insider preferences, illegal dividends, declaratory judgment (for breach of contract as regards to the parent guarantee and also as to certain covenants in the bond indenture), tortious interference with contract, breach of fiduciary duty, aiding and abetting breach of fiduciary duty, usurpation of corporate opportunities, and unjust enrichment, and seeks monetary and equitable as well as declaratory relief. CAC and CGP LLC believe this lawsuit is without merit and will defend themselves vigorously. All of the defendants have moved to dismiss the lawsuit, and that motion has been fully briefed. In addition, this lawsuit has been automatically stayed with respect to CEOC during the Chapter 11 process and, pursuant to the (a) Fifth Amended and Restated Restructuring Support and Forbearance Agreement dated October 7, 2015, with certain holders of claims in respect of claims under CEOC's first lien notes (the "First Lien Bond RSA") and (b) Restructuring Support and Forbearance Agreement dated August 21, 2015, with certain holders of claims in respect of claims under CEOC's first lien credit agreement (the "First Lien Bank RSA" and, together with the First Lien Bond RSA, the "RSAs"), has been subject to a consensual stay for all.

On February 13, 2015, Caesars Entertainment received a Demand For Payment of Guaranteed Obligations (the "February 13 Notice") from Wilmington Savings Fund Society, FSB, in its capacity as successor Trustee for CEOC's 10.00% Second-Priority Notes. The February 13 Notice alleges that CEOC's commencement of its voluntary Chapter 11 bankruptcy case constituted an event of default under the indenture governing the 10.00% Second-Priority Notes; that all amounts due and owing on the 10.00% Second-Priority Notes therefore immediately became payable; and that Caesars Entertainment is responsible for paying CEOC's obligations on the 10.00% Second-Priority Notes, including CEOC's obligation to timely pay all principal, interest, and any premium due on these notes, as a result of a parent guarantee provision contained in the indenture governing the notes that the February 13 Notice alleges is still binding. The February 13 Notice accordingly demands that Caesars Entertainment immediately pay Wilmington Savings Fund Society, FSB, cash in an amount of not less than $3.7 billion , plus accrued and unpaid interest (including without limitation the $184 million interest payment due December 15, 2014 that CEOC elected not to pay) and accrued and unpaid attorneys' fees and other expenses. The February 13 Notice also alleges that the interest, fees and expenses continue to accrue. CAC and CGP LLC are not parties to this demand.

On February 18, 2015, Caesars Entertainment received a Demand For Payment of Guaranteed Obligations (the "February 18 Notice") from BOKF, N.A. ("BOKF"), in its capacity as successor Trustee for CEOC's 12.75% Second-Priority Senior Secured Notes due 2018 (the " 12.75% Second-Priority Notes"). The February 18 Notice alleges that CEOC's commencement of its voluntary Chapter 11 bankruptcy case constituted an event of default under the indenture governing the 12.75% Second-Priority Notes; that all amounts due and owing on the 12.75% Second-Priority Notes therefore immediately became payable; and that CEC is responsible for paying CEOC's obligations on the 12.75% Second-Priority Notes, including CEOC's obligation to timely pay all principal, interest and any premium due on these notes, as a result of a parent guarantee provision contained in the indenture governing the notes that the February 18 Notice alleges is still binding. The February 18 Notice therefore demands that CEC immediately pay BOKF cash in an amount of not less than $750 million , plus accrued and unpaid interest, accrued and unpaid attorneys' fees, and other expenses. The February 18 Notice also alleges that the interest, fees and expenses continue to accrue. CAC and CGP LLC are not parties to this demand.

On March 3, 2015, BOKF filed a lawsuit (the "New York Second Lien Lawsuit") against CEC in federal district court in Manhattan, in its capacity as successor trustee for CEOC's 12.75% Second-Priority Notes. On June 15, 2015, UMB filed a lawsuit (the "New York First Lien Lawsuit") against CEC, also in federal district court in Manhattan, in its capacity as successor trustee for CEOC's 11.25% Senior Secured Notes due 2017, 8.50% Senior Secured Notes due 2020, and 9.00% Senior Secured Notes due 2020. Plaintiffs in these actions allege that CEOC's filing of its voluntary Chapter 11 bankruptcy case constitutes an event of default under the indenture governing these notes, causing all principal and interest to become immediately due and payable, and that CEC is obligated to make those payments pursuant to a parent guarantee provision in the indentures governing these notes that plaintiffs allege are still binding. Both plaintiffs bring claims for violation of the Trust Indenture Act of 1939, breach of contract, breach of duty of good faith and fair dealing and for declaratory relief and BOKF brings an additional claim for intentional interference with contractual relations. The cases were assigned to the same judge presiding over the other Parent Guarantee Lawsuits, as defined below. CEC filed its answer to the BOKF complaint on March 25, 2015, and to the UMB complaint on August 10, 2015. On June 25, 2015, and June 26, 2015, BOKF and UMB, respectively, moved for partial summary judgment, specifically on their claims alleging a violation of the Trust Indenture Act of 1939, seeking both declaratory relief and damages. On August 27, 2015, those motions were denied. The court, on its own motion, certified its order with respect to the interpretation of the Trust Indenture Act for interlocutory appeal to the United States Court of Appeals for the Second Circuit, and on December 22, 2015, the appellate court denied CEC's motion for leave to appeal. On November 20, 2015, BOKF and UMB again moved for partial summary judgment. Those motions likewise were denied. The judge presiding over these cases thereafter retired, and a new judge was appointed to preside over these lawsuits. That judge set a new summary judgment briefing schedule, and the parties submitted cross-motions for summary judgment which remain pending. On October 5, 2016, the Bankruptcy Court granted CEOC's motion for a stay of the New York First Lien Lawsuit and the New York Second Lien Lawsuit (and others). The stay will remain in effect until the earlier of (a) the first omnibus hearing after the Bankruptcy Court issues its decision confirming or denying confirmation of the CEOC reorganization plan, (b) the termination of the restructuring support agreement with the Official Committee of Second Priority Noteholders (the "Second Lien RSA") or (c) further order of the Bankruptcy Court. CAC and CGP LLC are not parties to these lawsuits.

On October 20, 2015, Wilmington Trust, National Association ("Wilmington Trust"), filed a lawsuit (the "New York Senior Notes Lawsuit" and, together with the Delaware Second Lien Lawsuit, the Delaware First Lien Lawsuit, the Senior Unsecured Lawsuits, the New York Second Lien Lawsuit, and the New York First Lien Lawsuit, the "Parent Guarantee Lawsuits") against CEC in federal district court in Manhattan in its capacity as successor indenture trustee for CEOC's 10.75% Senior Notes due 2016 (the "10.75% Senior Notes"). Plaintiff alleges that CEC is obligated to make payment of amounts due on the 10.75% Senior Notes pursuant to a parent guarantee provision in the indenture governing those notes that plaintiff alleges is still in effect. Plaintiff raises claims for violations of the Trust Indenture Act of 1939, breach of contract, breach of the implied duty of good faith and fair dealing, and for declaratory judgment, and seeks monetary and declaratory relief. CEC filed its answer to the complaint on November 23, 2015. As with the other parent guarantee lawsuits taking place in Manhattan, the judge presiding over these cases retired and a new judge was appointed to preside over these lawsuits. That judge set a new summary judgment briefing schedule and the parties submitted cross-motions for summary judgment which remain pending. On October 5, 2016, the Bankruptcy Court granted CEOC's motion for a stay of this proceeding (and others). The stay will remain in effect until the earlier of (a) the first omnibus hearing after the Bankruptcy Court issues its decision confirming or denying confirmation of the CEOC reorganization plan, (b) the termination of the Second Lien RSA or (c) further order of the Bankruptcy Court.

In accordance with the terms of the applicable indentures and as previously disclosed, Caesars Entertainment believes that it is not subject to the above-described guarantees. As a result, Caesars Entertainment believes the demands for payment are without merit. The claims against CEOC have been stayed due to the Chapter 11 process and, except as described above, the actions against CEC have been allowed to continue.

CAC and CGP LLC believe that the claims and demands described above against CAC and CGP LLC in the Delaware First Lien Lawsuit and Delaware Second Lien Lawsuit are without merit and intend to defend themselves vigorously. For the Delaware First Lien Lawsuit and Delaware Second Lien Lawsuit, at the present time, CAC and CGP LLC believe it is not probable that a material loss will result from the outcome of these matters. However, given the uncertainty of litigation, CAC and CGP LLC cannot provide assurance as to the outcome of these matters or of the range of reasonably possible losses should the matters ultimately be resolved against them. Should these matters ultimately be resolved through litigation outside of the financial restructuring of CEOC, which CAC and CGP LLC believe these matters would likely be long and protracted, and were a court to find in favor of the claimants in the Delaware First Lien Lawsuit or the Delaware Second Lien Lawsuit, such determination could have a material adverse effect on CAC and CGP LLC's business, financial condition, results of operations, and cash flows.

As part of CEOC's bankruptcy proceeding, the Official Committee of Second Priority Noteholders ("Second Priority Noteholders") filed a standing motion in bankruptcy court on May 13, 2016 seeking standing to commence claims on behalf of CEOC's estate. The proposed complaint names as potential defendants CAC, CGP LLC, CIE, and CES as well as CEC and CERP among others, and seeks recovery of assets transferred from CEOC. The proposed complaint alleges claims on behalf of CEOC's estate ranging in value from $8.1 billion to $12.6 billion against all defendants, as valued by the Second Priority Noteholders. Of this amount, the Second Priority Noteholders allege potential claims against CAC, CGP LLC, and CIE ranging from $3.7 billion to $7.9 billion , without taking into account any duplicative recovery, based on calculations in an exhibit to the revised disclosure statement filed in the bankruptcy court on May 27, 2016. A hearing on the standing motion was held on October 19, 2016, and the standing motion was continued until January 17, 2017.

On October 5, 2016, CEOC announced the execution of, or amendment and restatement of, restructuring support agreements with representatives of all of CEOC's major creditor groups, as well as agreement to the terms of CEOC's third amended plan of reorganization. Included among these was the Second Lien RSA. Pursuant to the terms of the Second Lien RSA, CEOC and the Second Priority Noteholders have agreed to stay certain discovery deadlines and to hold in abeyance various proceedings pending before the bankruptcy court. The Second Priority Noteholders' standing motion, various claim objections and motions to compel will all be held in abeyance until (a) the date on which the Debtors' third amended plan becomes effective or (b) seven days after the termination of the Second Lien RSA for any reason, whichever is earlier. The Second Lien RSA further requires the consenting Second Priority Noteholders to vote in favor of the plan.

On August 9, 2016, CEOC and certain of its affiliates, each debtor in the Chapter 11 bankruptcy proceedings, filed an adversary complaint as part of the Chapter 11 bankruptcy proceeding against CAC, CIE, CGP LLC, and CGPH, among others, including CEC, CES, and certain current and former directors of CEOC and CEC. In this adversary complaint, the plaintiffs assert claims against CAC for actual and constructive fraudulent conveyances and transfers. The plaintiffs allege, among other things, that certain transactions in which CAC purchased assets from CEOC constituted fraudulent conveyances, and that CAC did not provide CEOC with reasonably equivalent value for the assets acquired. The plaintiffs also claim certain transactions involving CIE constituted fraudulent transfers. The plaintiffs seek, among other relief, avoidance and/or rescission of the disputed transactions; return of assets transferred in those transactions; compensation from defendants for CEOC's alleged losses and damages; and an award to plaintiffs of the costs of the actions, including attorney's fees.

CAC, CIE, CGP LLC, and CGPH believe the above-referenced adversary complaint is without merit and intend to defend it vigorously, including by filing a motion to dismiss at the appropriate time. The status and timing of the adversary proceeding is affected by the Bankruptcy proceedings. On August 10, 2016, CEOC filed an emergency motion seeking, among other relief, to stay the above-referenced adversary proceeding. On August 23, 2016, the bankruptcy court granted the relief requested until the October 19, 2016 omnibus hearing. At the October 19, 2016 omnibus hearing, the bankruptcy court continued the adversary proceeding until the November 16, 2016 omnibus hearing.

***Report of Bankruptcy Examiner***

The Bankruptcy Court previously engaged an independent examiner to investigate possible claims CEOC might have against CEC, CAC, CGP LLC, other entities and certain individuals. On March 15, 2016, the examiner released his report in redacted form (to the public) and in unredacted form (to certain entities and individuals). On May 16, 2016, the examiner issued a substantially unredacted version of his report. CAC, CGP LLC and CIE do not have access to the unredacted report, and accordingly the description below is based on the substantially unredacted publicly-available report.

The examiner's report identifies a variety of potential claims against CAC, CGP LLC, CIE, other entities and certain individuals related to a number of transactions dating back to 2009. Most of the examiner's findings are based on his view that CEOC was "insolvent" at the time of the applicable transactions. The examiner's report includes his conclusions on the relative strength of these possible claims, many of which are described above. The examiner calculates an estimated range of potential damages for these potential claims as against all parties from $3.6 billion to $5.1 billion . The examiner calculates an estimated range of potential damages for potential claims against CAC, CGP LLC and CIE from $1.7 billion to $2.3 billion , ignoring potential duplication of recovery from other defendants. Neither calculation takes into account probability of success, likelihood of collection, or the time or cost of litigation.

Although this report was prepared at the request of the Bankruptcy Court, none of the findings are legally binding on the Bankruptcy Court or any party. CAC, CGP LLC and CIE contest many of the examiner's findings, including his finding that CEOC did not receive fair value for assets transferred, any suggestion that certain of the potential claims against CAC, CGP LLC and CIE have merit, and his calculation of potential damages. CAC, CGP LLC and its subsidiaries believe that each of the disputed transactions involving them provided substantial value to CEOC that was reasonably equivalent to the value of the asset (s) transferred, and that they at all times acted in good faith.

***National Retirement Fund***

In January 2015, a majority of the Trustees of the National Retirement Fund ("NRF"), a multi-employer defined benefit pension plan, voted to expel CEC and its participating subsidiaries, the CEC Group, from the plan. Neither CAC, CGP LLC nor any of their subsidiaries are part of the CEC Group. NRF claims that CEOC's bankruptcy presents an "actuarial risk" to the plan because, depending on the outcome of the bankruptcy proceeding, CEC might no longer be liable to the plan for any partial or complete withdrawal liability. NRF has advised the CEC Group that its expulsion has triggered withdrawal liability with a present value of approximately $360 million , payable in 80 quarterly payments of about $6 million .

Prior to NRF's vote, the CEC Group reiterated its commitment to remain in the plan and not seek rejection of any collective bargaining agreements in which the obligation to contribute to NRF exists. It is completely current with respect to pension contributions. The CEC Group is pursuing several litigation strategies to challenge NRF's action.

CEC believes that its legal arguments against the actions undertaken by NRF are strong and will pursue them vigorously. Because legal proceedings with respect to this matter are at the preliminary stages, CEC cannot currently provide assurance as to the ultimate outcome of the matters at issue.

***Other Matters***

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. In October 2013, CEOC's subsidiary, Desert Palace, Inc. (the owner of and referred to herein as Caesars Palace), received a letter from the Financial Crimes Enforcement Network of the United States Department of the Treasury ("FinCEN"), stating that FinCEN was 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. Caesars Palace responded to FinCEN's letter in January 2014. Additionally, CEC was informed in October 2013 that a federal grand jury investigation regarding anti-money laundering practices of CEC and its subsidiaries had been initiated. CEC and Caesars Palace have been cooperating with FinCEN, the Department of Justice and the Nevada Gaming Control Board (the "GCB") on this matter. On September 8, 2015, FinCEN announced a settlement pursuant to which Caesars Palace agreed to an $8 million civil penalty for its violations of the Bank Secrecy Act, which penalty shall be treated as a general unsecured claim in Caesars Palace's bankruptcy proceedings. In addition, Caesars Palace agreed to conduct periodic external audits and independent testing of its AML compliance program, report to FinCEN on mandated improvements, adopt a rigorous training regime, and engage in a "look-back" for suspicious transactions. The terms of the FinCEN settlement were approved by the bankruptcy court on October 19, 2015.

CEOC and the GCB reached a settlement on the same facts as above, wherein CEC agreed to pay $1.5 million and provide to the GCB the same information that is reported to FinCEN and to resubmit its updated AML policies. On September 17, 2015, the settlement agreement was approved by the Nevada Gaming Commission. CEOC continues to cooperate with the Department of Justice in its investigation of this matter.

The Company is party to ordinary and routine litigation incidental to our business. We do not expect the outcome of any such litigation to have a material effect on our financial position, results of operations, or cash flows, as we do not believe it is reasonably possible that we will incur material losses as a result of such litigation.

## Item 1A. Risk Factors .

### Risks Related to the Pending Acquisition of the Company by Caesars Entertainment

***We may not be able to consummate our announced acquisition by CEC in the anticipated timeframe, or at all.***

As previously announced, on December 21, 2014, we entered into the Merger Agreement with CEC, pursuant to which, subject to satisfaction or waiver of certain conditions, CAC will merge with and into CEC, with CEC as the surviving company. On July 9, 2016, we agreed with CEC to amend and restate the Merger Agreement (as amended the "Amended Merger Agreement"). There are a number of risks and uncertainties associated with the consummation of the Proposed Merger with CEC, and completion of the Proposed Merger is contingent upon customary closing conditions, including approval of the Amended Merger Agreement by our stockholders as well as CEC's stockholders and receipt of certain regulatory approvals. In addition to obtaining the stockholder approvals, consummation of the Proposed Merger is also subject to other conditions, including the CEOC restructuring plan confirmed by the bankruptcy court containing the Debtor Release, the Third-Party Release and the Exculpation, each as defined in the CEOC restructuring plan. The order approving the disclosure statement and the order approving solicitation procedures for creditors to vote on the third amended joint plan of reorganization were both approved on June 28, 2016. On October 19, 2016, the objection and voting deadline for the third amended joint plan of reorganization was scheduled for November 21, 2016. The confirmation hearing is currently scheduled to begin January 17, 2017 (which date is subject to being moved by the bankruptcy court). Failure to obtain the required approvals within the expected time frame, or having to make significant changes to the structure, terms, or conditions of the Proposed Merger to obtain such approvals, may result in a material delay in, or the abandonment of, the Proposed Merger. There can be no assurance that these conditions of the Proposed Merger will be satisfied, and if satisfied, when they will be satisfied. In no event will the Proposed Merger be completed later than December 31, 2017, unless CAC and CEC otherwise agree.

Even if the CEOC restructuring plan confirmed by the bankruptcy court contains such Debtor Release, Third-Party Release and Exculpation, under certain circumstances the exchange ratio, pursuant to which shares of CAC's class A common stock, par value $0.001 per share (the "Class A Common Stock") and CAC's class B common stock, par value $0.001 per share (the "Class B Common Stock," and together with the Class A Common Stock, the "CAC Common Stock"), will become exchangeable for shares of CEC's common stock (the "Exchange Ratio"), may be adjusted or the Amended Merger Agreement may be terminated.

Additionally, CEC is subject to litigation which if decided adversely may increase the risk the conditions to consummation of the Proposed Merger are not satisfied. As further discussed in the section entitled "Legal Proceedings - CEOC Bondholder Litigation, or Noteholder Disputes," on July 22, 2015, the bankruptcy judge presiding over the CEOC bankruptcy denied CEOC's request to stay certain litigation against CEC including the Delaware Second Lien Lawsuit, the New York First Lien Lawsuit, the New York Second Lien Lawsuit and the Senior Unsecured Lawsuits and, following multiple appeals, on December 23, 2015, a panel of the Seventh Circuit Court of Appeals vacated the bankruptcy court's denial of CEOC's requested stay and remanded the issue to the bankruptcy court for further consideration. On January 11, 2015, CEOC petitioned the Seventh Circuit to rehear the appeal. CEOC's petition for rehearing was denied on January 25, 2016, and the case was remanded to the bankruptcy court on February 2, 2016. On February 26, 2016, the bankruptcy court issued a ruling granting CEOC's request to stay the litigation identified above until the earlier of (i) 60 days after the examiner files his initial final report and (ii) May 9, 2016. The second lien notes trustee BOKF sought limited relief from the bankruptcy court's order on March 3, 2016, requesting that all pre-trial matters and rulings be allowed to move forward. On March 10, 2016, the bankruptcy court modified the preliminary injunction to clarify that BOKF may engage in all pre-trial matters. On May 10, 2015, BOKF moved for partial summary judgment on claims related to breach of contract and violation of the Trust Indenture Act of 1939. The parties completed summary judgment briefing prior to the bankruptcy court's June 15, 2016 grant of a temporary stay through August 29, 2016 of the Parent Guarantee Lawsuits. On October 5, 2016, the Bankruptcy Court granted CEOC's motion for a stay of Parent Guarantee Lawsuits. The stay will remain in effect until the earlier of (a) the first omnibus hearing after the Bankruptcy Court issues its decision confirming or denying confirmation of the CEOC reorganization plan, (b) the termination of the Second Lien RSA or (c) further order of the Bankruptcy Court. Adverse rulings may result in reinstatement of the CEC guarantee of certain CEOC debt which could increase the risk the conditions to consummation of the Proposed Merger are not satisfied. Adverse rulings may also result in the possibility that Caesars Entertainment enters bankruptcy or is unable to continue as a going concern.

Additionally, the significant amounts CEC has agreed to pay in connection with CEOC's reorganization raises substantial doubt about CEC's ability to continue as a going concern. It is possible that the amount of money CEC will be required to pay will be so substantial that it will diminish the value of CEC to such an extent that the proposed merger between CAC and CEC cannot be consummated. The proposed merger between CAC and CEC is subject to an exchange ratio governing the relative percentage ownership in the combined entity that CAC and CEC would each hold. Any revision to the exchange ratio must be approved by a special committee of the CAC board and ultimately by shareholder vote of CAC stockholders. Should CEC be required to pay such a substantial amount of money or other consideration to a reorganized CEOC that the value of CEC requires a revision to the exchange ratio for the merged entity, it is possible that the CAC special committee or CAC's stockholders would not approve the merger and the merger would not be consummated. See also risk factor below entitled "If a court were to find in favor of the claimants in the Noteholder Disputes, it would likely have a material adverse effect on CEC's business, financial condition, results of operations and cash flows and, absent an intervening event, a reorganization under Chapter 11 of the Bankruptcy Code would likely be necessary due to the limited resources available at CEC to resolve such matters. The significant amounts CEC has agreed to pay in connection with CEOC's reorganization raise substantial doubt about CEC's ability to continue as a going concern. In addition, CEC estimates that it will require additional sources of funding to meet the ongoing financial commitments of the CEC holding company for amounts other than committed to under the RSAs."

We can therefore give you no assurance that the Proposed Merger will be consummated, in which case we would not realize the anticipated benefits of having completed the Proposed Merger, which may adversely affect us.

***The combined company will require significant liquidity to fund CEOC's emergence from Chapter 11 and to achieve successful integration and achieve targeted synergies post-closing.***

At emergence from Chapter 11, CEOC will be required to or may deem it advisable to settle in cash certain obligations (such as professional fees, certain accrued and unpaid interest and debt obligations) that matured during the Chapter 11 bankruptcy cases. Additionally, if the third amended joint plan of reorganization, filed with the bankruptcy court on June 28, 2016, is confirmed, Caesars Entertainment will be required to (i) contribute over $400 million to pay a forbearance fee, for general corporate purposes and to fund sources and uses and (ii) purchase up to approximately $1.0 billion of new equity in the restructured CEOC and its subsidiaries. As a result of these payments and investments, Caesars Entertainment may have less cash available in future periods for investments and operating expenses and, as a result, the confirmation of the CEOC reorganization plan and emergence of CEOC from bankruptcy may have a negative impact on the combined company and on its ability to sustain its operations. An order approving the disclosure statement and an order approving solicitation procedures for creditors to vote on the third amended joint plan of reorganization were both approved on June 28, 2016. On October 19, 2016, the objection and voting deadline for the third amended joint plan of reorganization was scheduled for November 21, 2016. The confirmation hearing for the third amended joint plan is currently scheduled to begin January 17, 2017 (which date is subject to being moved by the bankruptcy court).

***While the Proposed Merger with CEC is pending, we are subject to business uncertainties and contractual restrictions that could disrupt our business.***

We have experienced and, whether or not the pending Proposed Merger with CEC is completed, we may continue to experience disruption of our current plans and operations due to the pending Proposed Merger, which could have an adverse effect on our business and financial results. Our employees and other key personnel may have uncertainties about the effect of the pending Proposed Merger, and those uncertainties may impact our ability to retain, recruit and hire key personnel while the Proposed Merger is pending or if it is not consummated. To date, we have incurred, and will continue to incur, significant costs, expenses and fees for professional services and other transaction costs in connection with the Proposed Merger with CEC, and these fees and costs are payable by us whether or not the Proposed Merger is consummated. Furthermore, we cannot predict how our suppliers and customers will view or react to the Proposed Merger, and some may be hesitant to do business with us in light of uncertainties about our ability to perform due to the proposed acquisition of us by CEC. If we are unable to reassure our customers and suppliers to continue transacting business with us, whether or not the Proposed Merger is consummated, our financial results may be adversely affected.

Under the terms of the Amended Merger Agreement, we are required to operate our business in the ordinary course, and we are also subject to certain restrictions on the conduct of our business prior to the consummation of the Proposed Merger without the consent of CEC, including, among other things, certain restrictions on our ability to enter new lines of business; make certain investments and acquisitions; sell, transfer, lease, dispose of or grant our assets; enter into certain contracts; incur indebtedness; and make certain capital expenditures. These restrictions, which could be in place for an extended period of time if the consummation of the Proposed Merger is delayed, could prevent us from pursuing otherwise attractive business opportunities, result in our inability to respond effectively to competitive pressures, industry developments and future opportunities and may otherwise harm our business, financial results and operations.

***In the event that the pending Proposed Merger with CEC is not completed, the trading price of our common stock and our future business and financial results may be negatively impacted.***

As noted above, the conditions to the completion of the Proposed Merger with CEC may not be satisfied, and even if the CEOC restructuring plan confirmed by the bankruptcy court contains such Debtor Release, Third-Party Release and Exculpation, under certain circumstances the Exchange Ratio may be adjusted or the Amended Merger Agreement may be terminated. If the Proposed Merger with CEC is not completed for any reason, we would still be liable for significant transaction costs and the focus of our management would have been diverted from seeking other potential opportunities without realizing any benefits of the completed Proposed Merger. If we do not complete the Proposed Merger, certain litigation against us such as the Debtor Release and the Third Party Release will remain outstanding and not be released. Furthermore, if we do not complete the Proposed Merger, it is possible that CEOC or its creditors could institute additional litigation against us, asserting claims such as those identified in the examiner's report. If we do not complete the Proposed Merger, the price of our common stock may decline significantly from the current market price, which may reflect a market assumption that the Proposed Merger will be completed.

***If the Proposed Merger is not completed or we are not otherwise acquired, we may consider other strategic alternatives, which are subject to risks and uncertainties.***

If the Proposed Merger with CEC is not completed, our Board will review and consider various alternatives available to us, including, among others, continuing as a public company with no material changes to our business or capital structure or other alternative transactions. Any alternative transaction may involve various additional risks to our business, including, among others, distraction of our management team and associated expenses similar to those described above in connection with the Proposed Merger, our ability to consummate an alternative transaction, the valuation assigned to our business in the alternative transaction, our ability or a potential buyer's ability to access capital on acceptable terms or at all and other variables that may adversely affect our operations.

***We are subject to litigation initiated in connection with the Proposed Merger, which could be time consuming and divert the resources and the attention of management.***

CAC and the individual members of our Board have been named as defendants in certain lawsuits relating to the Amended Merger Agreement and the Proposed Merger, and may be named in additional lawsuits relating to the Amended Merger Agreement and the Proposed Merger. The lawsuit filed to date generally alleges that the directors breached their fiduciary duties by engaging in a flawed sales process, by approving an inadequate price, and by agreeing to provisions that would allegedly preclude another interested buyer from making a financially superior proposal to acquire the company. The defense of any such lawsuits, and any additional lawsuits relating to the Amended Merger Agreement and the Proposed Merger, may be expensive and may divert management's attention and resources, which could adversely affect our business results of operations and financial condition.

***The Proposed Merger may be completed on terms different than those contained in the Amended Merger Agreement.***

Prior to the completion of the Proposed Merger, the parties may, by their mutual agreement, amend or alter the terms of the Amended Merger Agreement, including with respect to, among other things, the merger consideration to be received by our stockholders or any covenants or agreements with respect to the parties' respective operations pending completion of the Proposed Merger. In addition, either party may choose to waive certain requirements of the Amended Merger Agreement, including some conditions to closing the Proposed Merger. Any such amendments, alterations or waivers may have negative consequences to the other parties or their respective stockholders, including the possibility that consideration paid in the Proposed Merger may be reduced.

***Our stockholders cannot be certain of the date they will receive the merger consideration or of the aggregate value of the merger consideration they will receive.***

The date that our stockholders will receive the merger consideration depends on the completion date of the Proposed Merger, which is uncertain. In no event will the Proposed Merger be completed later than December 31, 2017 unless CAC and CEC otherwise agree. The date that the Proposed Merger becomes effective may be later than the date of the special meeting of our stockholders to approve the Proposed Merger, and at the time of our special meeting, our stockholders will not know the exact market value of the CEC common stock that they will receive upon completion of the Proposed Merger. The dollar value of the consideration received by our stockholders will depend upon the market value of CEC common stock at the effective time of the Proposed Merger, and such dollar value may be different from, and lower than, the dollar value of the merger consideration today or the date of the special meeting of our stockholders to approve the Proposed Merger.

***CIE Cash Held in Escrow***

In connection with the RSAs, the amended and restated restructuring support agreement that we entered into with CEOC and the agreement for the sale of CIE's social and mobile games business, we entered into the CIE Proceeds and Reservation of Rights Agreement on September 9, 2016, with CIE, CEC and CEOC (the "CIE Proceeds Agreement"), pursuant to which CIE deposited into an escrow account \$2.7 billion of the proceeds received from the sale of its social and mobile games business. The proceeds may only be released in accordance with the terms set forth in the CIE Proceeds Agreement, with the joint written consent of CIE and CEOC or pursuant to an order of a court of competent jurisdiction. The CIE Proceeds Agreement provides, that at the request of CIE, proceeds may be released to CAC or CGP LLC in the event that there is a full and final release, or a dismissal in full with prejudice of the claims for actual and constructive fraudulent conveyances and transfers against CAC, CIE, the purchaser of the social and mobile games business, or the company or any of the subsidiaries acquired by such purchaser ("Caesar Claims"), on the August 9, 2016 suit filed by CEOC, or if there is a judgment in such proceedings and such judgment has been satisfied in full by CAC and CIE, or a plan of reorganization for CEOC which provides that CAC, CIE, such purchaser, such purchaser's acquired company and any of its subsidiaries are fully and finally released of all liability arising for such Caesars Claims. It is unclear whether and to what extent the funds in the CIE Escrow Account will be released.

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

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

CES, a services joint venture among CEOC, CERP, a subsidiary of CEC, and CGPH, (together the "CES Members" and each a "CES Member") manages our properties and provides us with access to Caesars Entertainment's management expertise, intellectual property, back office services and Total Rewards® loyalty program. Pursuant to the CGP LLC Management Services Agreement, CEOC and its subsidiaries provide certain corporate services, back-office support and business advisory services to CAC and CGP LLC, however, generally, the services that would otherwise be performed under the CGP LLC Management Services Agreement are now performed by CES pursuant to other arrangements. Additionally, pursuant to the Omnibus License and Enterprise Services Agreement (the "Omnibus Agreement"), CES provides corporate services and back-office support to CGPH. Moreover, CES provides management services to CGP LLC owned casinos. CAC and CGP LLC have a very short history of operating casinos and interactive entertainment. Therefore, the business and operations of CAC and CGP LLC are dependent on the services provided by Caesars Entertainment and its subsidiaries, and CAC and CGP LLC cannot operate without these services. If the quality of the services provided by Caesars Entertainment and its subsidiaries deteriorates, or if the terms under which Caesars Entertainment and its subsidiaries 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 or the Omnibus Agreement were to be terminated and not replaced, or if Caesars Entertainment or its subsidiaries 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. The management of Caesars Entertainment has concluded that, due to the material uncertainty related to certain of the litigation proceedings against Caesars Entertainment, as more fully described in Item 1. Legal Proceedings - CEOC Bondholder Litigation, or Noteholder Disputes, there is substantial doubt about Caesars Entertainment's ability to continue as a going concern. Adverse rulings may result in reinstatement of the CEC guarantee of certain CEOC debt which could increase the risk the conditions to consummation of the Proposed Merger are not satisfied. Adverse rulings may also result in the possibility that Caesars Entertainment enters bankruptcy or is unable to continue as a going concern.

If Caesars Entertainment were unable to continue as a going concern, CERP and CEOC, as subsidiaries of Caesars Entertainment, could be unable to provide CES with their respective contributions to CES's operating funds and capital, which would also render CES incapable of providing us with the support and management services we require. In addition, if CES were to become a debtor in a bankruptcy case, it may seek bankruptcy court approval to assume the Omnibus Agreement or the management agreements under the Bankruptcy Code, to assign such agreements to a third party or to reject such agreements. See " 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 CES ." Any failure by CAC or CGP LLC to obtain the operational and management support of Caesars Entertainment and its subsidiaries, and particularly any failure by CGP LLC to obtain Caesars Entertainment's expertise in operating casinos or maintaining access to the Total Rewards loyalty program, would adversely affect CAC and/or CGP LLC's business, financial condition and operating results.

***We do not control CES, and the interests of our co-investors may not align with our interests.***

CEOC, CERP and CGPH are members of CES, and CGPH and its subsidiaries rely on CES to provide it with intellectual property licenses and property management services, among other services. Each member of CES is required to contribute as necessary to fund CES's operating costs and capital requirements in accordance with the terms of the operating agreement that governs CES. The amount CGPH will be required to fund in the future may be greater than its initial contribution, and will be subject to the review and approval of the CES steering committee. CGPH, CEOC and CERP control CES through its steering committee, which is comprised of one representative from each of CGPH, CEOC and CERP. In the event that CGPH interests do not align with those of CEOC or CERP, the interests of CEOC or CERP may be met before CGPH. In addition, certain decisions by CES may not be made without unanimous consent of the members, including CGPH. These actions include any decision with respect to liquidation or dissolution of CES, merger, consolidation or sale of all or substantially all the assets of CES, usage of CES assets in a manner inconsistent with the purposes of CES, material amendment to CES's operating agreement, admission of new investors to CES and filing of any bankruptcy or similar action by CES. Thus, any CES Member may block those actions requiring unanimous consent of the CES Members notwithstanding that such actions are in our interest. As a result of an annual review undertaken in September 2015 but effective July 2015, the allocation percentages of CEOC, CERP and CGPH were revised to 65.4%, 21.8% and 12.8%, respectively. CGPH has notified CES, CEOC and CERP that it objected to the September 2015 expense allocation but would pay the revised expense allocations under protest and reserved all rights. As a result of an annual review undertaken in August 2016 but effective January 2017, the allocation percentages for CEOC, CERP and CGPH were revised to 62.9%, 22.9% and 14.2%, respectively. CGPH has notified CES, CEOC and CERP that it objects to the August 2016 expense allocation but will pay the revised expense allocations under protest and reserves all rights.

***CGP LLC is dependent on the expertise of Caesars Entertainment's and CES 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 or CES could have a material adverse effect on the business of CGP LLC.***

The leadership of Caesars Entertainment's and CES' senior management has been a critical element of Caesars Entertainment's success. The advisory and management services provided to CGP LLC depend on this senior management. The death or disability of, or other extended or permanent loss of services, or any negative market or industry perception of Caesars Entertainment's or CES' senior management could have a material adverse effect on CGP LLC's business. 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 senior management.

***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 (including its consolidated subsidiaries) 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. CEOC and its subsidiaries that are the owners of these trademarks filed for bankruptcy in January 2015. 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, CES and other subsidiaries of Caesars Entertainment, pursuant to the CGP LLC Management Services Agreement, the Omnibus 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 LLC Management Services Agreement or the Omnibus 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. Recent litigation against CEC may increase the risk these events occur. See Item 1. Legal Proceedings - CEOC Bondholder Litigation, or Noteholder Disputes.

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

Caesars Entertainment (including its consolidated subsidiaries) and CEOC are both highly leveraged companies and each has significant obligations for interest payments and restrictions due to its indebtedness. If CEOC is unable to pay the interest when due under their outstanding indebtedness, or otherwise defaults on their debt obligations, the value of the notes previously issued by CEOC ("CEOC Notes") held by CAC would be impaired. 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.***

Pursuant to the CGP Operating Agreement, 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 Apollo Global Management, LLC ("Apollo") and 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 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 casinos owned by CGP LLC are 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 CEOC and its subsidiaries, and following its commencement of operations, licensed to CES. In connection with this program, the casinos owned by CGP LLC can 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 the casinos owned by CGP LLC 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 and CGP LLC license their 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 or CGP LLC 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 CGP LLC's business or results of operations could be harmed.***

CIE and CGP LLC have 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." CGP LLC's rights to use these trademarks and service marks are among its most valuable assets. Caesars World, Inc., Caesars License Company, LLC and CEOC filed for bankruptcy protection in January 2015, as more fully discussed in the risk factor above entitled " A default by Caesars Entertainment on certain of its debt obligations could adversely affect CGP LLC's business, financial condition and operating results. "

If the existing licensing arrangements were terminated and CGP LLC fails to enter into new arrangements in respect of these marks, CGP LLC could lose their 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.

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 CGP LLC's business and results of operations.

***Failure by CES or CEOC and its subsidiaries to protect the trademarks, technology and other intellectual property that CGP LLC uses could have a negative impact on the value of CGPH's brand names and adversely affect our business. In addition, CES or CEOC and its subsidiaries may have the right to limit the expansion of scope or usage of our intellectual property.***

CGP LLC currently licenses from CES and CEOC and its subsidiaries, intellectual property and technology material to its overall business strategy, and CGP LLC regards such intellectual property and technology to be an important element of its success. CGP LLC relies on CES and 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, CGP LLC relies on CES and CEOC and its subsidiaries to maintain the trade secrets and confidential information licensed to CGP LLC by nondisclosure policies and through the use of appropriate confidentiality agreements. Despite these efforts to protect the proprietary rights on which CGP LLC relies, parties may infringe such intellectual property and use licensed information and technology that CGP LLC regards as proprietary and CGPH's rights may be invalidated or unenforceable. Monitoring the unauthorized use of CGP LLC's licensed intellectual property and technology is difficult. Litigation by CEOC and its subsidiaries or CES, 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 CGP LLC, CEOC and its subsidiaries or CES have taken or will take to protect the licensed trademarks that CGP LLC uses in the United States will be adequate to prevent imitation of such trademarks by others. The unauthorized use or reproduction of the trademarks that CGPH uses could diminish the value of its brand and its market acceptance, competitive advantages or goodwill, which could adversely affect its business. In addition, the expansion of the scope or use of CGP LLC's intellectual property licensed from CEOC or CES, as applicable, in many cases is subject to the consent of CEOC or CES. Accordingly, CGP LLC may not be able to take advantage of new applications or uses of these licensed trade names, trademarks or other intellectual property without the consent of CEOC or CES, which may adversely affect CGP LLC's ability to compete or expand its business scope.

***CIE may be reliant on Caesars Entertainment or CEOC 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 results 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 or CEOC, CIE will be reliant on continuing its relationship with Caesars Entertainment or CEOC, and there can be no assurances that Caesars Entertainment or CEOC will continue to maintain such affiliation. If CIE's affiliation with Caesars Entertainment or CEOC 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 results of operations.

***A bankruptcy court may conclude that each of the Transactions and the Asset Purchase Transactions 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.***

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 (such as the bankruptcy proceeding of CEOC and certain of its subsidiaries that was filed in January 2015) that sold or contributed assets to CGP LLC, including CEOC, the court may conclude that each of the Transactions and the Asset Purchase Transactions 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 guarantee 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 or CEOC'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 (including the pending bankruptcy of CEOC and certain of its subsidiaries filed in January 2015) 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.

***An independent investigation of the Transactions and the Asset Purchase Transactions in connection with CEOC's bankruptcy is currently ongoing, which will expose our and CGP LLC's contractual relationships with Caesars Entertainment and its subsidiaries to heightened scrutiny.***

The Bankruptcy Court previously engaged an independent examiner to investigate possible claims CEOC might have against CEC, CAC, CGP LLC, other entities and certain individuals. On March 15, 2016, the examiner released his report in redacted form (to the public) and in unredacted form (to certain entities and individuals). On May 16, 2016, the Examiner issued a substantially unredacted version of his report. CAC, CGP LLC and CIE do not have access to the unredacted report, and accordingly the description below is based on the substantially unredacted publicly-available report.

The examiner's report identifies a variety of potential claims against CAC, CGP LLC, CIE, other entities and certain individuals related to a number of transactions dating back to 2009. Most of the examiner's findings are based on his view that CEOC was "insolvent" at the time of the applicable transactions. The examiner's report includes his conclusions on the relative strength of these possible claims, many of which are described in Note 7 of the Notes to Condensed Financial Statements. The examiner calculates an estimated range of potential damages for these potential claims as against all parties from $3.6 billion to $5.1 billion . The examiner calculates an estimated range of potential damages for potential claims against CAC, CGP LLC and CIE from $1.7 billion to $2.3 billion , ignoring potential duplication of recovery from other defendants. Neither calculation takes into account probability of success, likelihood of collection, or the time or cost of litigation.

Although this report was prepared at the request of the Bankruptcy Court, none of the findings are legally binding on the Bankruptcy Court or any party. CAC, CGP LLC and CIE contest many of the examiner's findings, including his finding that CEOC did not receive fair value for assets transferred, any suggestion that certain of the potential claims against CAC, CGP LLC and CIE have merit, and his calculation of potential damages. CAC, CGP LLC and its subsidiaries believe that each of the disputed transactions involving them provided substantial value to CEOC that was reasonably equivalent to the value of the asset(s) transferred, and that they at all times acted in good faith.

On June 28, 2016, an order approving the disclosure statement and an order approving solicitation procedures for creditors to vote on the third amended joint plan of reorganization were entered in the bankruptcy court. On October 19, 2016, the objection and voting deadline for the third amended joint plan of reorganization was scheduled for November 21, 2016. The confirmation hearing is currently scheduled to begin on January 17, 2017 (which date is subject to being moved by the bankruptcy court).

***We are subject to fraudulent transfer litigation that, if adversely decided, may require us to return the assets acquired in the Transactions and the Asset Purchase Transactions, or their value, to Caesars Entertainment and its subsidiaries.***

Creditors of Caesars Entertainment and its subsidiaries have sued CAC and CGP LLC under state law in an effort to recover, for their benefit, the assets CGP LLC acquired in the Transactions and the Asset Purchase Transactions as fraudulent transfers. See Item 1. Legal Proceedings — CEOC Bondholder Litigation, or Noteholder Disputes for a discussion of these proceedings. 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 fraudulent transfer. The principal elements of a constructive fraudulent transfer are a transfer, made while a debtor was insolvent or that rendered a debtor insolvent, for less than reasonably equivalent value.

CAC and CGP LLC strongly believe there is no merit to the actions described in Item 1. Legal Proceedings — CEOC Bondholder Litigation, or Noteholder Disputes and CAC and CGP LLC will defend themselves vigorously and seek appropriate relief should any action be brought. However, in the CEOC Bondholder Litigation, or Noteholder Disputes, plaintiffs seek, among other remedies, return to CEOC of six casino properties CGP LLC acquired in the Transactions and the Asset Purchase Transactions for approximately $3.1 billion in cash and assumed debt. The six casino properties acquired in the Transactions and the Asset Purchase Transactions are the only casino properties owned by CGP LLC and account for 100% of CGP LLC's revenue from casino operations. If CAC and CGP LLC lose the lawsuits described above, they may have to return the assets or their value to Caesars Entertainment and its subsidiaries, or be forced to pay additional amounts therefor. During the nine months ended September 30, 2016 , revenue from casino operations accounted for 97.4% of CGP LLC's total net revenue. If CGP LLC were forced to return the casino properties to Caesars Entertainment and its subsidiaries, that could cause it to lose the benefit of substantial revenue generated by those properties. Additionally, if a court were to find that the transfers and sales in the Transactions and the Asset Purchase Transactions were improper, that could trigger a default under the debt that we raised to finance these transfers. These consequences could have a material adverse effect on our business, financial condition, results of operations and prospects.

***CES 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 CES 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 CES. Alternatively, as CEOC and certain of its subsidiaries has filed for Chapter 11 bankruptcy, they may reject their licensing agreements with CES. If CES 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 CES .***

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 prohibits us from terminating a contract with CEOC or any of its debtor subsidiaries. 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 LLC Management Services Agreement, the management contracts for all of the casino properties owned by CGP LLC, the shared service agreement with CIE, or any licensing agreement with CES. 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, CEOC and its subsidiaries that filed for bankruptcy protection, as debtors, may seek bankruptcy court approval to assume material contracts, including among others, the CGP LLC Management Services Agreement, the Omnibus Agreement, the CIE Cross-Marketing 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 CEOC, for example, rejects the Omnibus Agreement, CES may not be able to provide us operational support and management expertise, 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, if it were to become a debtor for a bankruptcy, may attempt to reject the CGP LLC 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.

***Claims of our stockholders and CGP LLC against Caesars Entertainment or CEOC in a Caesars Entertainment or CEOC 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 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 the bankruptcy of CEOC or in a bankruptcy of CEC, if one were to occur, 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.

***Following assignment of the management agreements to CES upon its commencing operations as of October 1, 2014, CGPH is dependent upon CES to operate CGPH's properties.***

Each of CGPH's properties is managed by CES. CGPH is dependent upon CES to provide the services necessary to operate CGPH's properties. CGPH does not have a history of operating casinos. Therefore, CGPH's properties are dependent on the services provided by CES and CGPH cannot operate CGPH's properties without these services. If the quality of the services provided by CES deteriorates, or the terms under which CES provides services change in a manner that is adverse to CGPH, it could have a material adverse effect on CGPH's business, financial condition and operating results. Following the commencement of operations and receipt of regulatory approvals for CES, at CGPH's request, the property management agreements were assigned to CES. CES is a newly formed entity and will not receive the management fees under the property management agreements. Furthermore, CES is dependent upon its members (CGPH, 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 CES) necessary to provide services under the property management agreements. If any of the members of CES fail to provide it with the operating funds necessary to operate CES, CES may not be able to fully provide the services required by the property management agreements to operate CGPH's properties.

In addition, if the property management agreements were to be terminated, or if CES 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 CGPH or cease operations altogether, CGPH may be unable to continue to operate its properties, which would have a material adverse effect on our business, financial condition and operating results.

***If a court were to find in favor of the claimants in the Noteholder Disputes, it would likely have a material adverse effect on CEC's business, financial condition, results of operations and cash flows and, absent an intervening event, a reorganization under Chapter 11 of the Bankruptcy Code would likely be necessary due to the limited resources available at CEC to resolve such matters. The significant amounts CEC has agreed to pay in connection with CEOC's reorganization raise substantial doubt about CEC's ability to continue as a going concern. In addition, CEC estimates that it will require additional sources of funding to meet the ongoing financial commitments of the CEC holding company for amounts other than committed to under the RSAs.***

CEC is subject to a number of Noteholder Disputes related to various transactions that CEOC has completed since 2008. Plaintiffs in certain of these actions raise allegations of breach of contract, intentional and constructive fraudulent transfer, and breach of fiduciary duty, among other claims. Although the Delaware First Lien Lawsuit has been subject to a consensual stay pursuant to the First Lien Bond RSA since CEOC's filing for Chapter 11, and the Delaware Second Lien Lawsuit is not proceeding with respect to fraud or breach of fiduciary duty claims, should a court find in favor of the plaintiffs on such claims in any of the Noteholder Disputes, including the New York First Lien Lawsuit, the New York Second Lien Lawsuit or the Senior Unsecured Lawsuits, the transactions at issue in those lawsuits may be subject to rescission and/or CEC may be required to pay damages to the plaintiffs. In the event of an adverse outcome on one or all of these matters, it is likely that a reorganization under Chapter 11 of the Bankruptcy Code would be necessary for CEC due to the limited resources available at CEC to resolve such matters.

A number of the Noteholder Disputes also involve claims that CEC is liable for all amounts due and owing on certain notes issued by CEOC, based on allegations that provisions in the governing indentures pursuant to which CEC guaranteed

CEOC's obligations under those notes remain in effect (the "Guarantee Claims"). Such Guarantee Claims were most recently raised against Caesars Entertainment in the New York Senior Notes Lawsuit. Adverse rulings on the Guarantee Claims in this action or any of the other Noteholder Disputes could negatively affect CEC's position on such Guarantee Claims in other Noteholder Disputes, or with respect to potential claims by other holders of certain other notes issued by CEOC. If the court in any of these Noteholder Disputes were to find in favor of the plaintiffs on the Guarantee Claims, CEC may become obligated to pay all principal, interest, and other amounts due and owing on the notes at issue. If CEC became obligated to pay amounts owed on CEOC's indebtedness as a result of the Guarantee Claims, it is likely that a reorganization of CEC under Chapter 11 of the Bankruptcy Code would be necessary due to the limited resources available at CEC to resolve such matters. Accordingly, as certain of the Guarantee Claims have not been stayed, and given the timing on which these Guarantee Claims are proceeding and the inherent uncertainties of litigation, we have concluded that these matters raise substantial doubt about the Company's ability to continue as a going concern. In the event of an adverse outcome on such matters, CEC would likely seek reorganization under Chapter 11 of the Bankruptcy Code soon thereafter.

In addition to the liquidity issues raised as a result of complying with the material commitments CEC made under the RSAs, CEC estimates that it will require additional sources of funding to meet the ongoing financial commitments of the CEC holding company for amounts other than committed to under the RSAs, primarily resulting from significant expenditures made to (1) defend CEC against the matters disclosed in in Item 1. Legal Proceedings and (2) support CEOC's plan of reorganization. As a result of the foregoing, there is substantial doubt about CEC's ability to continue as a going concern, which could have a materially adverse effect on CAC and CGP LLC, and could also have a material adverse effect on the Proposed Merger.

**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 May 20, 2014, we closed a transaction whereby CGPH, an indirect, wholly-owned subsidiary of CGP LLC acquired from Caesars Entertainment certain of its properties and related assets as more fully described in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. There are incremental risks and uncertainties related to the Transaction and the Asset Purchase Transactions 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 Purchase Transactions.

For example, we and CGP LLC have been named in two separate lawsuits related to the Asset Purchase Transactions, as more fully described in Item 1. Legal Proceedings under CEOC Bondholder Litigation, or Noteholder Disputes .

In addition, CGP LLC's ability to realize the anticipated benefits of acquisitions, including, but not limited to the Asset Purchase Transactions, will depend, in part, on its ability to integrate the businesses acquired 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.

***CGP LLC may sell or divest different properties or assets as a result of its evaluation of its portfolio of businesses. Such sales or divestitures could affect CGP LLC's costs, revenues, profitability and financial position.***

From time to time, CGP LLC may evaluate its properties and portfolio of businesses and may, as a result, sell or attempt to sell, divest or spin-off different properties or assets. For example, on September 23, 2016, CIE sold its social and mobile games business.

These sales or divestitures may affect its costs, revenues, profitability, and financial position. Divestitures have inherent risks, including possible delays in closing transactions (including potential difficulties in obtaining regulatory approvals), the risk of lower-than-expected sales proceeds for the divested businesses, and potential post-closing claims for indemnification. In addition, current economic conditions and relatively illiquid real estate markets may result in fewer potential bidders and unsuccessful sales efforts. Expected costs savings, which are offset by revenue losses from divested properties, may also be difficult to achieve or maximize.

***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, 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 recently 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 have no 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, CEC and CES have implemented certain cost savings programs and are in the process of identifying opportunities to improve profitability by reducing costs. For example, Caesars Entertainment and CES have 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. These 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. In the case of CGP LLC's casino properties, weather conditions may deter or prevent customers from reaching the facilities or undertaking trips. Such conditions would particularly affect customers who are traveling longer distances to visit CGP LLC's casino properties. We believe the number of customer visits to CGP LLC's casino properties will fluctuate based on the season, with winter months experiencing lower visitation; however, volume of business generated by our Las Vegas properties is generally lower during the summer months. Seasonality may cause CGP LLC's casino properties 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 casino properties 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.

***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 LLC 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 LLC 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.***

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. For example, CGP LLC recently bid for a gaming license in the State of New York but was not selected. 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.

***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 and the Asset Purchase Transactions or due to future changes in regulation. For instance, the Missouri Gaming Commission has required 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 maintain 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 CGP LLC or CAC to obtain new licenses in connection with its operations, the formation of CES 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 another example, CGP LLC's ability to expand its 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.

As a result of CIE holding an online gaming license, its operations and activities are subject to various gaming laws and laws in Nevada and New Jersey. We also expect CIE to be subject to these or similar laws as CIE seeks additional licenses for online real money gaming in the United States if additional states legalize and regulate online gaming. 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 addition, CIE holds a license in New Jersey 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, interpretations of laws and local regulations and ordinances on which CGP LLC and CAC 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. A change in the interpretation of this ordinance or a change in this ordinance could force a reevaluation of staffing at that property in a manner that could adversely affect the financial results of Harrah's New Orleans.

Furthermore, because CGP LLC and CAC are subject to regulation in each jurisdiction in which they 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.

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 inside the Horseshoe Baltimore facility. Additionally, the city council in New Orleans enacted an ordinance restricting smoking indoors in public places, including in Harrah's New Orleans, which went into effect in April 2015. 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 CGP LLC's casinos in Las Vegas and New Orleans use air travel for transportation to and from the casino. As a result of terrorist acts, domestic and international travel was severely disrupted, which resulted in a decrease in customer visits to Las Vegas or New Orleans. 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 our properties, we would likely be adversely impacted. 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 casino 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 our 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 transact 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 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. 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 CGP LLC's casino properties or 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 CGP LLC has 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 AML regulations. Any violation of 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. In recent years, governmental authorities have been increasingly focused on AML policies and procedures, with a particular focus on the gaming industry. In October 2013, CEOC's subsidiary, Desert Palace, Inc. (the owner of and referred to herein as Caesars Palace), received a letter from Financial Crimes Enforcement Network of the United States Department of the Treasury ("FinCEN"), stating that FinCEN was 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. Caesars Palace responded to FinCEN's letter in January 2014. Additionally, CEC was informed in October 2013 that a federal grand jury investigation regarding anti-money laundering practices of CEC and its subsidiaries had been initiated. CEC and Caesars Palace have been cooperating with FinCEN, the Department of Justice and the Nevada Gaming Control Board (the "GCB") on this matter. On September 8, 2015, FinCEN announced a settlement pursuant to which Caesars Palace agreed to an $8 million civil penalty for its violations of the Bank Secrecy Act, which penalty shall be treated as a general unsecured claim in Caesars Palace's bankruptcy proceedings. In addition, Caesars Palace agreed to conduct periodic external audits and independent testing of its AML compliance program, report to FinCEN on mandated improvements, adopt a rigorous training regime, and engage in a "look-back" for suspicious transactions. The terms of the FinCEN settlement are subject to bankruptcy court approval. CEOC and the GCB reached a settlement on the same facts as above, wherein CEC agreed to pay $1.5 million and provide to the GCB the same information that is reported to FinCEN and to resubmit its updated AML policies. On September 17, 2015, the settlement agreement was approved by the Nevada Gaming Commission.

***We are, or may become involved, in legal proceedings that if adversely adjudicated or settled, could impact our financial condition.***

From time to time, CAC and CGP LLC are defendants in various lawsuits or other legal proceedings relating to matters incidental to our business. The nature of our business subjects CAC and CGP LLC to the risk of lawsuits filed by customers, past and present employees, competitors, business partners, 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. CAC and CGP LLC 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.

CAC and CGP LLC are defendants in certain legal proceedings, including the lawsuits relating to the Amended Merger Agreement and the Proposed Merger, as discussed in Item 1. Legal Proceedings . If a court were to find in favor of the claimants in these proceedings, such determination could have a material adverse effect on our business, financial condition, results of operations and prospects.

***Our obligation to fund multi-employer pension plans to which we contribute may have an adverse impact on us.***

We contribute to and participate in various multi-employer pension plans for employees represented by certain unions. We are required to make contributions to these plans in amounts established under collective bargaining agreements. We do not administer these plans and, generally, are not represented on the boards of trustees of these plans. The Pension Protection Act enacted in 2006, or the PPA, requires under-funded pension plans to improve their funding ratios. Based on the information available to us, some of the multi-employer plans to which we contribute are either "critical" or "endangered" as those terms are defined in the PPA. Specifically, the Pension Plan of the UNITE HERE National Retirement Fund is less than 65% funded. We cannot determine at this time the amount of additional funding, if any, we may be required to make to these plans. However, plan assessments could have an adverse impact on our results of operations or cash flows for a given period. Furthermore, under current law, upon the termination of a multi-employer pension plan, due to the withdrawal of all its contributing employers (a mass withdrawal), or in the event of a withdrawal by us, which we consider from time to time, we would be required to make payments to the plan for our proportionate share of the plan's unfunded vested liabilities, that would have a material adverse impact on our consolidated financial condition, results of operations and cash flows.

In January 2015, the Trustees of the National Retirement Fund ("NRF"), a multi-employer defined benefit pension plan, voted to expel the CEC and its participating subsidiaries, the CEC Group, from the plan. NRF claims that CEOC's bankruptcy presents an "actuarial risk" to the plan purportedly permitting such expulsion. The CGP LLC affiliate that is included in NRF is the Las Vegas laundry. NRF has advised the CEC Group that its expulsion has triggered withdrawal liability with a present value of approximately $360 million, payable in 80 quarterly payments of about $6 million.

The CEC Group disputes NRF's authority to take such action. Prior to NRF's vote, the CEC Group reiterated its commitment to remain in the plan and not seek rejection of any collective bargaining agreement in which the obligation to contribute to NRF exists. CEOC is current with respect to pension contributions. The CEC Group is pursuing several litigation strategies to challenge NRF's action. There can be no assurance that our strategies will have a successful outcome, and the CEC Group may become liable for the withdrawal liability, which would have an adverse impact on us.

***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 CGP LLC's casino properties offers 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 adverse conditions in certain 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, CGP LLC's casino properties 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.***

CGP LLC's casino properties conduct their 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.

CGP LLC's casino properties extend credit to those customers whose level of play and financial resources warrant, in the opinion of management, an extension of credit. These receivables could have a significant impact on our results of operations if deemed uncollectible. While gaming debts are evidenced by a credit instrument, including what is commonly referred to as a "marker," and judgments on gaming debts are enforceable under the current laws of the jurisdictions in which CGP LLC allows play on a credit basis and judgments in such jurisdictions on gaming debts are enforceable in all states under the Full Faith and Credit Clause of the U.S. Constitution, other jurisdictions may determine that enforcement of gaming debts is against public policy. Although courts of some foreign nations will enforce gaming debts directly and the assets in the U.S. of foreign debtors may be reached to satisfy a judgment, judgments on gaming debts from U.S. courts are not binding on the courts of many foreign nations.

***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.

***Because a majority of CGP LLC's major gaming resorts are concentrated on the Las Vegas Strip, we are subject to greater risks than a gaming company that is more geographically diversified.***

Given that a majority of CGP LLC's major resorts are concentrated on the Las Vegas Strip, CGP LLC's business may be significantly affected by risks common to the Las Vegas tourism industry. For example, the cost and availability of air services and the impact of any events that disrupt air travel to and from Las Vegas can adversely affect our business. We cannot control the number or frequency of flights to or from Las Vegas, but CGP LLC relies on air traffic for a significant portion of its visitors. Reductions in flights by major airlines as a result of higher fuel prices or lower demand can impact the number of visitors to CGP LLC's resorts. Additionally, there is one principal interstate highway between Las Vegas and Southern California, where a large number of CGP LLC's customers reside. Capacity constraints of that highway or any other traffic disruptions may also affect the number of customers who visit CGP LLC's facilities.

***CGP LLC's business is particularly sensitive to energy prices and a rise in energy prices could harm its operating results.***

CGP LLC is a large consumer of electricity and other energy and, therefore, higher energy prices may have an adverse effect on its results of operations. Accordingly, increases in energy costs may have a negative impact on its operating results. Additionally, higher electricity and gasoline prices that affect its customers may result in reduced visitation to its resorts and a reduction in its revenues. CGP LLC may be indirectly impacted by regulatory requirements aimed at reducing the impacts of climate change directed at up-stream utility providers, as it could experience potentially higher utility, fuel, and transportation costs.

***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 CGP LLC participates may have greater financial, marketing, or other resources than CGP LLC does, 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, SLS Las Vegas opened in August 2014 on the northern end of the Strip, and the Genting Group has announced plans to develop a casino and hotel called Resorts World Las Vegas, which is expected to open in 2018 on the northern end of the Strip. 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's The Park and joint venture with AEG, T-Mobile Arena, located between New York-New York and Monte Carlo, opened in April 2016 and includes retail and dining options and a 20,000 seat indoor arena for sporting events and concerts. In addition, in June 2016, MGM announced that the Monte Carlo Resort and Casino will undergo $450 million in non-gaming renovations focused on room, food and beverage and entertainment enhancements and is expected to re-open in late 2018 as two newly branded hotels. There have also been proposals for other large scale non-gaming development projects in Las Vegas by various other developers. 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. Growth in consumer demand for non-gaming offerings could also negatively impact our gaming revenue.

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, when MGM National Harbor in Maryland opens, it may draw additional customers away from Horseshoe Baltimore. In addition, in June 2016, Maryland Live! announced plans to invest $200 million to construct a new hotel with additional food and beverage and entertainment options adjacent to its casino. 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 also competes with legalized gaming from casinos located on Native American tribal lands, primarily those located in California. While the competitive impact on our operations in Las Vegas from the continued growth of Native American gaming establishments in California remains uncertain, the proliferation of gaming in California and other areas located in the same region as our Las Vegas properties and other properties could have an adverse effect on CGP LLC's results of operations.

In addition, certain states have legalized, and others may legalize, casino gaming in specific areas, including metropolitan areas from which we traditionally attract customers. A number of states have permitted or are considering permitting gaming, on Native American reservations and through expansion of state lotteries.

The current global trend toward liberalization of gaming restrictions and resulting proliferation of gaming venues could result in a decrease in the number of visitors to our Las Vegas facilities by attracting customers close to home and away from Las Vegas, which could have an adverse effect on our financial condition, results of operations or cash flows.

***The success of third parties adjacent to CGP LLC's properties is important to its ability to generate revenue and operate CGP LLC's business and any deterioration to their success could materially adversely affect our revenue and results of operations.***

In certain cases, CGP LLC does not own the businesses and amenities adjacent to its properties. However, the adjacent third-party businesses and amenities stimulate additional traffic through its complexes. For example, the Grand Bazaar Shops located in front of Bally's Hotel and Casino in Las Vegas. 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 our complexes, which would negatively affect CGP LLC's business and operating results. Further, if newly opened properties, such as The Cromwell, are not as popular as expected, CGP LLC will not realize the increase in traffic through CGP LLC's properties that it expects as a result of their opening, which would negatively affect its business projections.

***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.

***Work stoppages and other labor problems could negatively impact our future profits.***

Some of our employees are represented by labor unions and, accordingly, we are subject to the risk of work stoppages or other labor disruptions from time to time. We have seven collective bargaining agreements covering various employees in Las Vegas expiring in 2016. We intend to negotiate renewal agreements for all collective bargaining agreements expiring and are hopeful that we will be able to reach agreements with the respective unions without any work stoppage. Work stoppages and other labor disruptions could have a material adverse impact on our operations. Also, wage and/or benefit increases resulting from new labor agreements may be significant and could also have an adverse impact on our results of operations. From time to time, we have experienced attempts by labor organizations to organize certain of our non-union employees. To the extent that our non-union employees join unions, we could have greater exposure to risks associated with labor problems and could negatively impact our profits.

***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.***

CGP LLC's casino properties 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 operating results.

In addition, the Planet Hollywood brand is used by affiliates of Robert Earl in Hollywood-themed restaurants, hotels 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 Maryland Joint Venture 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 40.9% interest in the Maryland Joint Venture. While CGP LLC can influence the ownership of the Maryland Joint Venture through its equity ownership, CGP LLC relies on the other equity partners for providing certain funding for the Maryland Joint Venture and there can be no assurances that the other equity partners will provide sufficient funding, or any funding at all, if needed. 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.

## 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, or 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 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 65.4% of our Class A 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 of 1933, as amended (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 stockholders.

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;
- news and events regarding CEOC's bankruptcy and negotiations with its creditors;
- the outcome of litigation against CEC and its affiliates;
- 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 interests 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.

***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 September 30, 2016 , CAC held approximately $290 million 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 CAC 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. Pursuant to the terms of the Amended Merger Agreement, CAC does not expect to collect principal or interest receivable from these notes.

***CGP LLC may incur impairments to goodwill, indefinite-lived intangible assets, or long-lived assets which could negatively affect our future profits.***

We review CGP LLC's goodwill, intangible assets and long-lived assets on an annual basis and during interim reporting periods in accordance with the authoritative guidance. Significant negative trends, reduced estimates of future cash flows, disruptions to our business, slower growth rates or lack of growth have resulted in write-downs and impairment charges in the past and, if one or more of such events occurs in the future, additional impairment charges may be required in future periods. If CGP LLC is required to record additional impairment charges, this could have a material adverse impact on its consolidated results of operations.

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

Hamlet Holdings beneficially owns approximately 65.4% 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 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 individuals affiliated with the Sponsors, as of the date hereof beneficially owned a majority of Caesars Entertainment's common stock through an irrevocable proxy providing Hamlet Holdings with sole voting and sole dispositive power over those shares of stock that are held by funds affiliated with and controlled by the Sponsors and their co-investors, which gives them power to elect all of Caesars Entertainment's directors. As a result, even though an independent committee of the board of directors 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 exert strong influence over 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 the Company's Annual Report on Form 10-K for the year ended December 31, 2015 .

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 GCB a sum of money which, in the sole discretion of the GCB, 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 GCB 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, 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.

Pursuant to the terms of the Amended Merger Agreement, it is anticipated that each share of our common stock issued and outstanding immediately prior to the effective date of the merger will be converted into, and become exchangeable for, shares of CEC common stock in a ratio to ensure that holders of our common stock receive shares equal to 27% of the outstanding CEC common stock on a fully diluted basis. This will result in pro rata dilution to all holders of CAC common stock immediately prior to the closing of the Amended Merger Agreement.

***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 parent company and our primary source of cash is and will be distributions from CGP LLC.***

We are a parent company with limited business operations of our own. Our main asset is our units in CGP LLC. Accordingly, our primary sources of cash are dividends and distributions with respect to our ownership interests in CGP LLC. CGP LLC might not generate sufficient earnings and cash flow to pay dividends or distributions in the future.

***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 we have elected not to comply with certain NASDAQ corporate governance requirements, including:

- 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.

As a result of these exemptions, our nominating and corporate governance and compensation committees do not 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, a holder of our Class A common stock will not have the same protections afforded to stockholders of companies that are subject to all of the NASDAQ corporate governance requirements.

***Our bylaws and certificate of incorporation contain provisions that could discourage another company from acquiring us and may prevent attempts by our stockholders to replace or remove our current management.***

Provisions of our bylaws and our certificate of incorporation may delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace or remove our directors. These provisions include:

- establishing a classified board of directors;
- establishing limitations on the removal of directors;
- permitting only an affirmative vote of at least two-thirds of the Board to fix the number of directors;
- prohibiting cumulative voting in the election of directors;
- empowering only the board of directors to fill any vacancy on the board of directors, whether such vacancy occurs as a result of an increase in the number of directors or otherwise;
- eliminating the ability of stockholders to call special meetings of stockholders;
- prohibiting stockholders from acting by written consent if the Company ceases to be a "controlled company" under the NASDAQ Marketplace rules; and
- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

Together, these charter and statutory provisions could make the removal of management more difficult and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our common stock. Furthermore, the existence of the foregoing provisions, as well as the significant Class A Common Stock controlled by Hamlet Holdings, could limit the price that investors might be willing to pay in the future for shares of our Class A Common Stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your Class A Common Stock in an acquisition.

***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, 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 Quarterly Report on Form 10-Q , 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.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds .**

None.

**Item 3. Defaults Upon Senior Securities .**

None.

**Item 4. Mine Safety Disclosures .**

Not applicable.

**Item 5. Other Information .**

On November 4, 2016, the Company and Michael Cohen entered into an Amended and Restated Indemnification Agreement (the "A&R Indemnification Agreement"). The A&R Indemnification Agreement amends and restates, in its entirety, the indemnification agreement, dated as of April 4, 2014, entered into by and between the Company and Mr. Cohen and supersedes and replaces any indemnification agreement that the Company has previously entered into with Mr. Cohen.

The A&R Indemnification Agreement requires the Company, among other things, to indemnify Mr. Cohen to the fullest extent permitted by law for certain expenses, judgments, fines and amounts paid in settlement incurred in a proceeding arising out of his service to the Company or its subsidiaries, Caesars Entertainment Corporation ("CEC") or Caesars Entertainment Operating Company, Inc. ("CEOC") if he acted in good faith and in the best interests of the Company and its subsidiaries and, in the case of a criminal proceeding had no reasonable cause to believe that his conduct was unlawful. The A&R Indemnification Agreement also provides for the advancement of such expenses to Mr. Cohen by the Company. The Company's obligations to indemnify and advance expenses for his services to CEC and CEOC are secondary to CEC's or CEOC's indemnification obligations, and such obligations only arise if CEC or CEOC do not pay or advance expenses as provided under their indemnification arrangements with Mr. Cohen. The foregoing is qualified in its entirety by reference to the A&R Indemnification Agreement attached hereto as Exhibit 10.11 which is incorporated herein by reference.

**Item 6. Exhibits .**

| Exhibit Number | Exhibit Description | Filed Herewith | Incorporated by Reference | | | |
|---|---|---|---|---|---|---|
| | | | Form | Period Ending | Exhibit | Filing Date |
| 2.1 | Stock Purchase Agreement, dated as of July 30, 2016, by and among Caesars Interactive Entertainment, Inc., Alpha Frontier Limited, Caesars Growth Partners, LLC and CIE Growth, LLC. | — | 8-K | — | 2.1 | 8/1/2016 |
| 10.1 | Consent to CIE Sale Transaction, dated as of July 30, 2016, by and between Caesars Acquisition Company and Caesars Entertainment Corporation. | — | 8-K | — | 10.1 | 8/1/2016 |
| 10.2 | CIE Proceeds and Reservation of Rights Agreement, dated as of September 9, 2016 entered into by and among Caesars Interactive Entertainment, Inc., Caesars Acquisition Company, on behalf of itself and each of its direct and indirect subsidiaries, Caesars Entertainment Corporation, on behalf of itself and each of its direct and indirect subsidiaries, other than Caesars Entertainment Operating Company, Inc., and Caesars Entertainment Operating Company, Inc. on behalf of itself and each of the debtors in the Chapter 11 Cases. | — | 8-K | — | 10.1 | 9/12/2016 |
| 10.3 | First Amendment to the Amended and Restated Limited Liability Company Agreement of Caesars Growth Partners, LLC, dated as of October 21, 2013, dated as of September 23, 2016, entered into by and among (i) Caesars Acquisition Company, in its capacity as Caesars Growth Partners, LLC's managing member and as a member of Caesars Growth Partners, LLC, (ii) HIE Holdings, Inc., (iii) Harrah's BC, Inc. and (iv) Caesars Entertainment Corporation. | — | 8-K | — | 10.1 | 9/26/2016 |
| 10.4 | Tax Reimbursement and Indemnity Agreement, dated as of September 23, 2016, by and between Caesars Interactive Entertainment, Inc. and Mitchell Garber. | — | 8-K | — | 10.2 | 9/26/2016 |
| 10.5 | Tax Reimbursement and Indemnity Agreement, dated as of September 23, 2016, by and between Caesars Interactive Entertainment, Inc. and Craig Abrahams. | — | 8-K | — | 10.3 | 9/26/2016 |
| 10.6 | Employment Agreement, dated as of September 30, 2016, by and between Caesars Acquisition Company and Craig Abrahams. | — | 8-K | — | 10.1 | 9/30/2016 |
| 10.7 | Employment Agreement, dated as of September 30, 2016, by and between Caesars Acquisition Company and Michael Cohen. | — | 8-K | — | 10.2 | 9/30/2016 |

| Exhibit Number | Exhibit Description | Filed Herewith | Incorporated by Reference | | | |
|---|---|---|---|---|---|---|
| | | | Form | Period Ending | Exhibit | Filing Date |
| 10.8 | Restructuring Support, Forbearance and Settlement Agreement, dated as of October 4, 2016, among Caesars Acquisition Company (solely for Sections 2(b)(vii), 5(g) and 30), Caesars Entertainment Operating Company, Inc., on behalf of itself and each of the debtors in the Chapter 11 Cases, Caesars Entertainment Corporation, each of the holders of Second Lien Bond Claims party thereto and the Second Lien Committee. | — | 8-K | — | 10.1 | 10/5/2016 |
| 10.9 | Amendment No. 1 to CIE Proceeds and Reservation of Rights Agreement, dated as of October 7, 2016, by and among Caesars Interactive Entertainment, LLC (formerly known as Caesars Interactive Entertainment, Inc.), Caesars Acquisition Company, on behalf of itself and each of its direct and indirect subsidiaries, Caesars Entertainment Corporation, on behalf of itself and each of its direct and indirect subsidiaries, other than Caesars Entertainment Operating Company, Inc., and Caesars Entertainment Operating Company, Inc. on behalf of itself and each of the debtors in the Chapter 11 Cases. | — | 8-K | — | 10.1 | 10/7/2016 |
| 10.10 | Second Amendment to the Amended and Restated Limited Liability Company Agreement of Caesars Growth Partners, LLC, dated as of October 21, 2013, dated as of October 7, 2016, entered into by and among Caesars Acquisition Company, in its capacity as Caesars Growth Partners, LLC's managing member and as a member of Caesars Growth Partners, LLC, HIE Holdings, Inc., Harrah's BC, Inc. and Caesars Entertainment Corporation. | — | 8-K | — | 10.2 | 10/7/2016 |
| 10.11 | Form of Amended and Restated Indemnification Agreement between Caesars Acquisition Company and Michael D. Cohen. | X | | | | |
| 31.1 | Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | X | | | | |
| 31.2 | Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | X | | | | |
| * 32.1 | Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | — | | | | |
| * 32.2 | Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | — | | | | |
| 99.1 | Consolidated Condensed financial information of Caesars Growth Partners, LLC as of September 30, 2016 and December 31, 2015 and for the three and nine months ended September 30, 2016 and 2015. | X | | | | |

| Exhibit Number | Exhibit Description | Filed Herewith | Incorporated by Reference | | | |
|---|---|---|---|---|---|---|
| | | | Form | Period Ending | Exhibit | Filing Date |
| 101 | The following financial statements from the Company's Form 10-Q as of September 30, 2016 and December 31, 2015 and for the three and nine months ended September 30, 2016 and 2015 formatted in XBRL: (i) Condensed Balance Sheets, (ii) Condensed Statements of Operations and Comprehensive Income, (iii) Condensed Statements of Stockholders' Equity, (iv) Condensed Statements of Cash Flows, (v) Notes to Condensed Financial Statements. | X | | | | |

* Furnished herewith.

## SIGNATURE

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

**CAESARS ACQUISITION COMPANY**

| | | |
|---|---|---|
| November 7, 2016 | By: | /S/ TROY J. VANKE |
| | | **Troy J. Vanke** |
| | | **Chief Accounting Officer** |

**Exhibit 10.11**

# AMENDED AND RESTATED INDEMNIFICATION AGREEMENT

This Amended and Restated Indemnification Agreement (as the same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time, this "Agreement"), is made as of November 4, 2016, by and between Caesars Acquisition Company, a Delaware corporation (the "Company") and Michael Cohen ("Indemnitee"), and amends and restates, in its entirety, the Indemnification Agreement, dated as of April 4, 2014, by and between the Company and the Indemnitee (the "Original Agreement"). This Agreement supersedes and replaces any and all previous Agreements between the Company and Indemnitee covering the subject matter of this Agreement.

## RECITALS

**WHEREAS** , while Indemnitee was employed by Caesars Entertainment Corporation ("CEC"), Indemnitee served as an officer and director of CEC, CEC's subsidiary Caesars Entertainment Operating Company, Inc. ("CEOC") and some of their respective subsidiaries (other than the Company and its subsidiaries, the "CAC Parties")) (collectively, the "CEC Parties") and in such capacity, Indemnitee also provided services to the Company and its subsidiaries pursuant to that certain management services agreement, dated as of October 21, 2013 (the "Services Agreement"), entered into by and among CEOC, as service provider, the Company and Caesars Growth Partners, LLC, a subsidiary of the Company;

**WHEREAS** , in connection with his services to the CEC Parties, Indemnitee has a right to indemnification from the CEC Parties generally as provided by the applicable organizational documents of the CEC Parties and the law, and specifically pursuant to that certain Indemnification Agreement, dated as of October 2, 2008, entered into by and between Harrah's Entertainment Inc. (predecessor to CEC) and the Indemnitee (collectively, the "CEC Indemnification");

**WHEREAS** , since April, 2014, Indemnitee has served as Senior Vice President, Corporate Development, General Counsel and Corporate Secretary of the Company, as well as an officer of some other subsidiaries of the Company;

**WHEREAS** , the Company has entered into a merger agreement with and into CEC and desires to secure the services of Indemnitee as the Senior Vice President, Corporate Development, General Counsel and Corporate Secretary of the Company through the closing of that merger;

**WHEREAS** , in connection with the restructuring of CEOC's indebtedness (the "CEOC's Restructuring"), CEOC and its creditors have at various times threatened to sue Indemnitee for asserted claims related to Indemnitee's services to CEOC (the "Alleged CEOC Claims"), which has resulted in Indemnitee entering into a tolling agreement with CEOC;

**WHEREAS** , the Company believes that the threat of the Alleged CEOC Claims could serve as a distraction to Indemnitee's continued valuable service to the Company;

**WHEREAS** , the Board of Directors of the Company (the "Board") has determined that, in order to retain Indemnitee as an employee of the Company until consummation of the merger agreement with and into CEC, avoid distraction of Indemnitee's services to the CAC Parties arising from the Alleged CEOC Claims and induce Indemnitee to serve as an officer of the CAC Parties, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect Indemnitee on the terms set forth herein. Although the furnishing of such insurance has been a customary and widespread practice among United States-based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company or business enterprise itself. The Certificate of Incorporation of the Company requires indemnification of the officers and directors of the Company. Indemnitee may also be entitled to indemnification pursuant to the General Corporation Law of the State of Delaware (the "DGCL"). The Certificate of Incorporation and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the board of directors, officers and other persons with respect to indemnification;

**WHEREAS** , the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons;

**WHEREAS** , the Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company and its stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future;

**WHEREAS** , it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, Indemnitee to the fullest extent permitted by applicable law so that Indemnitee will continue to serve the Company and to serve free from distractions and undue concern that Indemnitee will not be so indemnified;

**WHEREAS** , this Agreement is a supplement to and in furtherance of the CEC Indemnification, as well as the By-laws and Certificate of Incorporation of the Company and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder; and

**WHEREAS** , Indemnitee does not regard the protection available under the Company's By-laws, Company's Certificate of Incorporation and insurance as adequate in the present circumstances, and is willing to serve as an officer or director of the CAC Parties with the Company providing the adequate protection, and the Company desires Indemnitee to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that he or she be so indemnified.

**NOW** , **THEREFORE** , in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby agree to amend and restate the Original Agreement in its entirety and covenant and agree as follows:

Section 1. Services to the Company. Indemnitee agrees to serve as a director, officer, or employee of the Company, as applicable, in accordance with that certain employment agreement, dated as of September 30, 2016, entered into by and between the Company and Indemnitee (the "New Employment Agreement") and/or, at the request of the Company, as a director, officer, agent or fiduciary of another corporation, partnership, joint venture, trust employee benefit plan or other enterprise. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by operation of law), in which event the Company shall have no obligation under this Agreement to continue Indemnitee in such position. This Agreement shall not be deemed an employment contract between the Company (or any of its subsidiaries or any Enterprise) and Indemnitee. Indemnitee specifically acknowledges that Indemnitee's employment with the Company (or any of its subsidiaries or any Enterprise), if any, is at will, and the Indemnitee may be discharged at any time for any reason, with or without cause, except as may be otherwise provided in the New Employment Agreement, other applicable formal severance policies duly adopted by the Board, or, with respect to service as a director or officer of the Company, by the Company's Certificate of Incorporation, the Company's By-laws, and the DGCL. The foregoing notwithstanding, this Agreement shall continue in force after Indemnitee has ceased to serve as director, officer, or employee of the Company, as applicable.

Section 2. Definitions. As used in this Agreement:

(a) References to "agent" shall mean any person who (i) is or was a director, officer, or employee of the CAC Parties or other person authorized by the Company to act for the CAC Parties, to include such person serving in such capacity as a director, officer, employee, fiduciary or other official of another corporation, partnership, limited liability company, joint venture, trust or other Enterprise at the request of, for the convenience of, or to represent the interests of the CAC Parties or (ii) was a director, officer, or employee of the CEC Parties or other person authorized by the CEC Parties to act for the CEC Parties, to include such person serving in such capacity as a director, officer, employee, fiduciary or other official of another corporation, partnership, limited liability company, joint venture, trust or other Enterprise at the request of, for the convenience of, or to represent the interests of the CEC Parties.

(b) "Apollo Indemnitor" shall mean: (i) Apollo Management, L.P.; (ii) any direct or indirect parent or subsidiary of Apollo Management, L.P.; (iii) Apollo Management VI, L.P.; (iv) any direct or indirect general partner, managing member, or investment advisor of Apollo Management VI, L.P.; or (iv) any other affiliate of Apollo Management, L.P. or Apollo Management VI, L.P. (other than the CAC Parties or the CEC Parties) that provides advancement or indemnification rights to Indemnitee for any Proceeding in which Indemnitee is a party, witness or otherwise is a participant by reason of Indemnitee's Corporate Status.

(c) A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

i. *Acquisition of Stock by Third Party* . Any Person (as defined below) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing fifteen percent (15%) or more of the combined voting power of the Company's then outstanding securities, other than affiliates of TPG Capital, LP or Apollo Global Management, LLC;

ii. *Change in Board of Directors* . During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(b)(i), 2(b)(iii) or 2(b)(iv)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the members of the Board;

iii. *Corporate Transactions* . The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 51% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity. For the avoidance of doubt, the consummation of the merger of the Company with and into CEC shall constitute a Change in Control for purposes of this Agreement;

iv. *Liquidation* . The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; and

v. *Other Events* . There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar item on any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

For purposes of this Section 2(b), the following terms shall have the following meanings:

(A) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(B) "Person" shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(C) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(d) "Corporate Status" describes the status of a person who (i) is or was a director, officer, employee or agent of the CAC Parties or of any other corporation, limited liability company, partnership or joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the request of the CAC Parties or (ii) was a director, officer, employee or agent of the CEC Parties or of any other corporation, limited liability company, partnership or joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the request of the CEC Parties.

(e) "Disinterested Director" shall mean a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(f) "Enterprise" shall mean the CAC Parties and any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, employee, agent or fiduciary.

(g) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, ERISA excise taxes and penalties, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding. Expenses also shall include (i) Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent, and (ii) for purposes of Section 14(d) only, Expenses incurred by Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement, by litigation or otherwise. The parties hereto agree that for the purposes of any advancement of Expenses for which Indemnitee has made written demand to the Company in accordance with this Agreement, all Expenses included in such demand that are certified by affidavit of Indemnitee's counsel as being reasonable shall be presumed conclusively to be reasonable. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(h) "Independent Counsel" shall mean a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the CAC Parties, the CEC Parties, any creditors of CEOC, CEC or any of their subsidiaries, or any party or professional involved in the CEOC's Restructuring or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent

Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the CAC Parties or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(i) The term "Proceeding" shall include any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative legislative, or investigative (formal or informal) nature, including any appeal therefrom, in which Indemnitee was, is or will be involved as a party, potential party, non-party witness or otherwise by reason of the fact that Indemnitee is or was a director or officer of the CAC Parties or the CEC Parties, by reason of any action taken by him or of any action on his part while acting as director or officer of the CAC Parties or the CEC Parties, or by reason of the fact that he is or was serving at the request of the CAC Parties or the CEC Parties as a director, officer, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses can be provided under this Agreement. If the Indemnitee believes in good faith that a given situation may lead to or culminate in the institution of a Proceeding, this shall be considered a Proceeding under this paragraph.

(j) Reference to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the CAC Parties or the CEC Parties" shall include any service as a director, officer, employee or agent of the Company or the CEC Parties which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(k) "TPG Indemnitor" shall mean: (i) TPG Capital, L.P.; (ii) any direct or indirect parent or subsidiary of TPG Capital, L.P.; (iii) TPG Partners V, L.P.; (iv) any direct or indirect general partner, managing member, or investment advisor of TPG Partners V, L.P.; or (iv) any other affiliate of TPG Capital, L.P. or TPG Partners V, L.P. (other than the CAC Parties or the CEC Parties) that provides advancement or indemnification rights to Indemnitee for any Proceeding in which Indemnitee is a party, witness or otherwise is a participant by reason of Indemnitee's Corporate Status.

Section 3. <u>Indemnity in Third-Party Proceedings.</u> Subject to Section 9, the Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3 and subject to Section 9, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the CAC Parties and, in the case of a criminal proceeding had no reasonable cause to believe that his conduct was unlawful. The parties hereto intend that this Agreement shall provide to the fullest extent permitted by law for indemnification in excess of that expressly permitted by statute, including, without limitation, any indemnification provided by the Company's Certificate of Incorporation, its Bylaws, vote of its stockholders or disinterested directors or applicable law.

Section 4. <u>Indemnity in Proceedings by or in the Right of the Company.</u> Subject to Section 9, the Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4 and subject to Section 9, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. No indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that the Delaware Court of Chancery or any court in which the Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification.

Section 5. <u>Indemnification for Expenses of a Party Who is Wholly or Partly Successful.</u> Notwithstanding any other provisions of this Agreement and subject to Section 9, to the fullest extent permitted by applicable law and to the extent that Indemnitee is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, subject to Section 9, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with or related to each successfully resolved claim, issue or matter to the fullest extent permitted by law. For purposes of this Section 5 and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 6. Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee is, by reason of his Corporate Status, a witness or otherwise asked to participate in any Proceeding to which Indemnitee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith, other than as set forth in Section 9.

Section 7. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

Section 8. Additional Indemnification.

(a) Notwithstanding any limitation in Sections 3, 4, or 5, the Company shall indemnify Indemnitee to the fullest extent permitted by applicable law if Indemnitee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee in connection with the Proceeding.

(b) For purposes of Section 8(a), the meaning of the phrase "to the fullest extent permitted by applicable law" shall include, but not be limited to:

i. to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL, and

ii. to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which a corporation may indemnify its officers and directors.

Section 9. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy, or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision; or

(b) for (i) an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act (as defined in Section 2(b) hereof) or similar provisions of state statutory law or common law, or (ii) any reimbursement of the Company by the Indemnitee of any bonus or other incentive-based, equity or equity-based compensation or of any profits realized by the Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act, the rules of any securities exchange on which the Company's securities are listed or otherwise applicable law (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act); or

(c) except as provided in Section 14(d), in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the CAC Parties or its directors, officers, employees or other indemnitees, unless (i) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

Section 10. Advances of Expenses. In accordance with the pre-existing requirement of Section 7.1 of the By-laws of the Company, and notwithstanding any provision of this Agreement to the contrary, the Company shall advance, to the extent not prohibited by law, the Expenses incurred by Indemnitee in connection with any Proceeding, and such advancement shall be made within thirty (30) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee's ability to repay the Expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Advances shall include any and all reasonable Expenses incurred pursuing an action to enforce this right of advancement, including Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. The Indemnitee shall qualify for advances upon the execution and delivery to the Company of this Agreement, which shall constitute an undertaking providing that the Indemnitee undertakes to repay the amounts advanced (without interest) to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company. No other form of undertaking shall be required other than the execution of this Agreement. This Section 10 shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 9.

Section 11. Procedure for Notification and Defense of Claim.

(a) Indemnitee shall notify the Company in writing of any matter with respect to which Indemnitee intends to seek indemnification or advancement of Expenses hereunder as soon as reasonably practicable following the receipt by Indemnitee of written notice thereof. The written notification to the Company shall include a description of the nature of the Proceeding and the facts underlying the Proceeding. To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification following the final disposition of such action, suit or proceeding. The omission by Indemnitee to notify the Company hereunder will not relieve the Company from any liability which it may have to Indemnitee hereunder or otherwise under this Agreement, and any delay in so notifying the Company shall not constitute a waiver by Indemnitee of any rights under this Agreement. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

Section 12. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 11(a), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee; or (ii) if a Change in Control shall not have occurred, (A) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (B) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (C) if there are no such Disinterested Directors or, if such Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee or (D) if so directed by the Board and to the extent that the Company is a controlled public company as set forth in the Certificate of Incorporation, by the stockholders of the Company; and, if it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or Expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 12(a) hereof, the Independent Counsel shall be selected as provided in this Section 12(b). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board, and the Company shall give written notice to Indemnitee advising him of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within ten (10) days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within twenty (20) days after the later of submission by Indemnitee of a written request for indemnification pursuant to Section 11(a) hereof and the final disposition of the Proceeding, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 12(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 14(a), Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

Section 13. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall, to the fullest extent not prohibited by law, presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 11(a), and the Company shall, to the fullest extent not prohibited by law, have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or independent legal counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) Subject to Section 14(e), if the person, persons or entity empowered or selected under Section 12 to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall, to the fullest extent not prohibited by law, be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 13(b) shall not apply (i) if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 12(a) and if (A) within fifteen (15) days after receipt by the Company of the request for such determination the Board has resolved to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy-five (75) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within fifteen (15) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat, or (ii) if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 12(a).

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) Reliance as Safe Harbor. For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise or the CEC Parties, as applicable, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise or the CEC Parties, as applicable, in the course of their duties, or on the advice of legal counsel for the Enterprise or the CEC Parties, as applicable, or on information or records given or reports made to the Enterprise or the CEC Parties, as applicable, by an independent certified public accountant or by an appraiser or other expert selected with the reasonable care by the Enterprise or the CEC Parties, as applicable. The provisions of this Section 13(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement.

(e) Actions of Others. The knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Enterprise or the CEC Parties, as applicable, shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

Section 14. Remedies of Indemnitee.

(a) Subject to Section 14(e), in the event that (i) a determination is made pursuant to Section 12 that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 10, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 12(a) within ninety (90) days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 6 or 7 or the last sentence of Section 12(a) within ten (10) days after receipt by the Company of a written request therefor, (v) payment of indemnification pursuant to Section 3, 4 or 8 is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, or (vi) in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or Proceeding designed to deny, or to recover from, the Indemnitee the benefits provided or intended to be provided to the Indemnitee hereunder, Indemnitee shall be entitled to an adjudication by a court of his entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 14(a); provided, however, that the foregoing clause shall not apply in respect of a proceeding brought by Indemnitee to enforce his rights under Section 5. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 12(a) that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 14 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 14 the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

(c) If a determination shall have been made pursuant to Section 12(a) that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 14, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) The Company shall, to the fullest extent not prohibited by law, be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 14 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. It is the intent of the Company that, to the fullest extent permitted by law, the Indemnitee not be required to incur legal fees or other Expenses associated with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnitee hereunder. The Company shall, to the fullest extent permitted by law, indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within ten (10) days after receipt by the Company of a written request therefor) advance, to the extent not prohibited by law, such Expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for indemnification or advance of Expenses from the Company under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company or the CEC Parties, as applicable, if Indemnitee is wholly successful on the underlying claims; if Indemnitee is not wholly successful on the underlying claims, then such indemnification and advancement shall be only to the extent Indemnitee is successful on such underlying claims or otherwise as permitted by law, whichever is greater.

(e) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement of Indemnitee to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding.

Section 15. Non-exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Company's Certificate of Incorporation, the Company's By-laws, CEC Indemnification, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Company's By-laws, the Company's Certificate of Incorporation and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company, any other CAC Party or the CEC Parties, as applicable, maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents of the respective CAC Parties or CEC Parties, or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person serves at the request of the respective CAC Party or CEC Parties, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company, any other CAC Party or the CEC Parties, as applicable, has director and officer liability insurance in effect, the Company shall give prompt notice of such claim or of the commencement of a proceeding, as the case may be, to the insurers in accordance with the procedures set forth in the respective policies or to the CEC Parties, in order for the CEC Parties give prompt notice of such claim or of the commencement of a proceeding, as the case may be, to the insurers in accordance with the procedures set forth in the respective policies. The Company shall, and shall use its reasonable best efforts to cause the CEC Parties to, thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(c) Notwithstanding the foregoing, the Company and the Indemnitor agree that the right of indemnification or to receive advancement of Expenses available to Indemnitee by the Company pursuant to this Agreement, the Company's Certificate of Incorporation or the Company's By-laws is secondary to the right of indemnification or to receive advancement of expenses to be provided by CEC or any other of the CEC Parties pursuant to a CEC Indemnification and that Indemnitee will first claim under any CEC Indemnification (if available). If Indemnitee makes a claim under any CEC Indemnification and indemnification is refused or advancement of Expenses is not timely made by CEC or any other of the CEC Parties, then the Company will make such payments (to the extent Indemnitee is entitled to indemnification hereunder) and the Company will be subrogated to the rights of recovery of Indemnitee to make claims against the CEC Parties under any CEC Indemnification as set forth below. To the extent Indemnitee is entitled to indemnification or advance of Expenses from the Company, and not the CEC Parties, the Company hereby agrees that (i) the Company is the full indemnitor of first resort under this Agreement and under any other indemnification agreement by the Company or any other CAC Party, as applicable, providing advancement or indemnification rights to Indemnitee (i.e., the Company's obligation to provide advancement and/or indemnification to Indemnitee are primary and any obligation of any TPG Indemnitor, any Apollo Indemnitor or any insurance carrier providing insurance coverage to any TPG Indemnitor or any Apollo Indemnitor, as applicable, to provide advancement, indemnification or insurance for the same Expenses, liabilities, judgments, penalties, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, liabilities, judgments, penalties, fines and amounts paid in settlement) incurred by Indemnitee are secondary), and (ii) if any TPG Indemnitor or any Apollo Indemnitor pays or causes to be paid, for any reason, any amounts otherwise indemnified hereunder (or for which advancement is available hereunder) or indemnified under any other indemnification agreement (whether pursuant to the Certificate of Incorporation or any other organizational document or contract) with Indemnitee, then (X) such TPG Indemnitor or Apollo Indemnitor, as applicable, shall be fully subrogated to all rights of Indemnitee with respect to such payment and (Y) the Company shall fully indemnify, reimburse and hold harmless such TPG Indemnitor or Apollo Indemnitor for all such payments actually made by such TPG Indemnitor or Apollo Indemnitor; and (Z) nothing contained in this Agreement shall limit or otherwise affect the rights of any insurer to pursue any right of contribution or subrogation on behalf of or in the right of Indemnitee against the Company. The Company and Indemnitee hereby agree that the TPG Indemnitors and the Apollo Indemnitors are express third-party beneficiaries of this Agreement for purposes of enforcing the rights set forth in this Section 15(c).

(d) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights; provided , however, that the Company shall not be permitted to exercise any right of subrogation against any TPG Indemnitor or Apollo Indemnitor in respect of any such payment.

(e) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (or for which advancement is provided hereunder) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise (including, without limitation, the CEC Indemnification), *except with respect to* (i) any personal umbrella insurance policy maintained by or for the benefit of Indemnitee; or (ii) any insurance policy also providing coverage to any TPG Indemnitor or any Apollo Indemnitor.

(f) The Company's obligation to indemnify or advance Expenses hereunder to Indemnitee who is or was serving at the request of the CAC Parties as a director, officer, employee or agent of any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of Expenses from such other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise.

Section 16. Duration of Agreement. This Agreement shall continue until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a director, officer, or employee of the CAC Parties, as applicable, and/or, at the request of the Company, as a director, officer, agent or fiduciary of another corporation, partnership, joint venture, trust employee benefit plan or other enterprise or (b) one (1) year after the final termination of any Proceeding then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 14 relating thereto. This Agreement shall be binding upon the Company and its successors and assigns and shall inure to the benefit of Indemnitee and his heirs, executors and administrators.

Section 17. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 18. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to retain Indemnitee as an employee of the Company until consummation of the merger of the Company with and into CEC, avoid distractions of Indemnitee's services to the Company arising from the Alleged CEOC Claims and induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in continuing being an employee of the Company, providing services to the Company and serving as a director or officer of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof; provided, however, that this Agreement is a supplement to and in furtherance of the Certificate of Incorporation of the Company, the By-laws of the Company and applicable law, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

Section 19. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties thereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

Section 20. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

Section 21. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, (c) mailed by reputable overnight courier and receipted for by the party to whom said notice or other communication shall have been directed, (d) sent by facsimile transmission, with receipt of oral confirmation that such transmission has been received or (e) sent by email, upon confirmation by email from the receiving party (or its legal counsel) of receipt thereof:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide to the Company.

(b) If to the Company at One Caesars Palace Drive, Las Vegas, NV 89109, Attention; Corporate Secretary; Facsimile: (702) 494-4323, or to any other address as may have been furnished to Indemnitee by the Company.

Section 22. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the CAC Parties or the CEC Parties, as applicable, and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the CAC Parties or the CEC Parties, and their respective, directors, officers, employees and agents, and Indemnitee in connection with such event(s) and/or transaction(s); provided , however, that the Company shall not be entitled to claim co-contribution from any TPG Indemnitor or any Apollo Indemnitor or to pro rate any obligation to contribute under this Agreement due to any obligation to Indemnitee from any TPG Indemnitor or any Apollo Indemnitor.

Section 23. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 14(a), the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the "Delaware Court"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) appoint, to the extent such party is not otherwise subject to service of process in the State of Delaware, irrevocably Corporation Service Company, 2711 Centerville Road, Suite 400 Wilmington, DE 19808, as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

Section 24. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

Section 25. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

| CAESARS ACQUISITION COMPANY | INDEMNITEE |
|---|---|
| By: | |
| Name: | Name: Michael Cohen |
| Title: | Address: |

**Exhibit 31.1**

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 7, 2016

By: / S / MITCH GARBER

**Mitch Garber**

**President and Chief Executive Officer**

**Exhibit 31.2**

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 7, 2016

By: / S / Craig Abrahams

**Craig Abrahams**

**Chief Financial Officer**

**Exhibit 32.1**

**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, 2016 (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 7, 2016

/ 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.

**Exhibit 32.2**

**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, 2016 (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 7, 2016

/ 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.

**Exhibit 99.1**

**FINANCIAL INFORMATION AND SUPPLEMENTARY DATA OF SIGNIFICANT EQUITY METHOD INVESTEE**
**CAESARS GROWTH PARTNERS, LLC**
**INDEX TO CONSOLIDATED CONDENSED FINANCIAL INFORMATION**

## EXPLANATORY NOTE

***Unconsolidated Significant Subsidiary***

Caesars Acquisition Company's primary asset is its interest in Caesars Growth Partners, LLC ("CGP LLC"), which is accounted for using the equity method. As the investment in CGP LLC is considered to be significant to Caesars Acquisition Company ("CAC"), 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 Rule 3-09 of Regulation S-X. Given the significance of this investment to the financial position and results of operations of CAC, CAC has elected to include selected financial information of CGP LLC in this Quarterly Report on Form 10-Q.

# CAESARS GROWTH PARTNERS, LLC
# CONSOLIDATED CONDENSED BALANCE SHEETS
# (UNAUDITED)
# (In millions)

| | September 30, 2016 | December 31, 2015 |
|---|---|---|
| ***Assets*** | | |
| Current assets | | |
| Cash and cash equivalents | $ 1,139.8 | $ 790.7 |
| Restricted cash | 3,354.9 | 2.6 |
| Receivables, net of allowance for doubtful accounts of $5.9 and $9.2, respectively | 66.9 | 61.0 |
| Prepayments and other current assets | 29.2 | 32.2 |
| Assets held for sale | — | 363.5 |
| Total current assets | 4,590.8 | 1,250.0 |
| Investment in Caesars Enterprise Services, LLC | 28.3 | 26.5 |
| Land, property and equipment, net | 2,483.3 | 2,562.7 |
| Goodwill | 214.1 | 214.1 |
| Intangible assets other than goodwill, net | 204.4 | 215.6 |
| Restricted cash | 5.5 | 8.9 |
| Prepaid management fees to related parties | 197.1 | 206.5 |
| Deferred charges and other | 46.4 | 49.0 |
| Total assets | $ 7,769.9 | $ 4,533.3 |
| | | |
| ***Liabilities and Equity*** | | |
| Current liabilities | | |
| Accounts payable | $ 22.5 | $ 33.3 |
| Payables to related parties | 340.5 | 41.3 |
| Accrued expenses and other current liabilities | 315.1 | 140.4 |
| Accrued interest payable | 52.4 | 37.0 |
| Foreign tax payable | — | 0.1 |
| Current portion of long-term debt | 21.5 | 69.7 |
| Liabilities held for sale | — | 66.4 |
| Total current liabilities | 752.0 | 388.2 |
| Long-term debt | 2,257.9 | 2,267.6 |
| Deferred tax liabilities | — | 16.7 |
| Deferred credits and other | 29.9 | 129.1 |
| Total liabilities | 3,039.8 | 2,801.6 |
| | | |
| Commitments and contingencies | | |
| Redeemable non-controlling interests | 0.9 | 0.5 |
| Equity | | |
| Additional paid-in capital | 361.0 | 1,277.3 |
| Retained earnings | 4,357.6 | 413.7 |
| Total equity attributable to Caesars Growth Partners, LLC | 4,718.6 | 1,691.0 |
| Non-controlling interests | 10.6 | 40.2 |
| Total equity | 4,729.2 | 1,731.2 |
| Total liabilities and equity | $ 7,769.9 | $ 4,533.3 |

**CAESARS GROWTH PARTNERS, LLC**
**CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**
**(UNAUDITED)**
**(In millions)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| **Revenues** | | | | |
| Casino | $ 253.0 | $ 260.6 | $ 785.9 | $ 778.5 |
| Food and beverage | 66.9 | 73.6 | 207.3 | 207.9 |
| Rooms | 90.2 | 82.2 | 274.4 | 239.0 |
| Other | 57.6 | 48.0 | 162.3 | 132.6 |
| Less: casino promotional allowances | (45.2) | (46.7) | (145.8) | (140.6) |
| Net revenues | 422.5 | 417.7 | 1,284.1 | 1,217.4 |
| **Operating expenses** | | | | |
| Direct | | | | |
| Casino | 134.1 | 138.0 | 417.7 | 416.5 |
| Food and beverage | 30.6 | 33.0 | 92.8 | 94.4 |
| Rooms | 24.9 | 21.7 | 71.2 | 61.9 |
| Property, general, administrative and other | 285.4 | 132.8 | 559.4 | 363.0 |
| Write-downs, reserves and project opening costs, net of recoveries | (1.3) | 1.8 | 0.5 | 8.4 |
| Management fees to related parties | 8.6 | 14.1 | 33.3 | 45.1 |
| Depreciation and amortization | 47.3 | 39.2 | 129.5 | 110.9 |
| Change in fair value of contingently issuable non-voting membership units | — | 7.3 | — | (107.5) |
| Total operating expenses | 529.6 | 387.9 | 1,304.4 | 992.7 |
| (Loss)/income from operations | (107.1) | 29.8 | (20.3) | 224.7 |
| Interest expense, net of interest capitalized | (49.0) | (50.1) | (149.1) | (145.3) |
| Other income, net | — | 5.0 | — | 4.0 |
| (Loss)/income from continuing operations before (provision for)/benefit from income taxes | (156.1) | (15.3) | (169.4) | 83.4 |
| (Provision for)/benefit from income taxes | (7.6) | (1.5) | 9.2 | 3.8 |
| Net (loss)/income from continuing operations | (163.7) | (16.8) | (160.2) | 87.2 |
| **Discontinued operations** | | | | |
| Income from discontinued operations before income taxes, including $4,161.2 gain on sale of SMG Business in the third quarter of 2016 | 3,972.6 | 56.5 | 4,090.9 | 164.1 |
| Benefit from/(provision for) income taxes related to discontinued operations | 46.8 | (19.2) | (13.8) | (49.7) |
| Net income from discontinued operations | 4,019.4 | 37.3 | 4,077.1 | 114.4 |
| Net income | 3,855.7 | 20.5 | 3,916.9 | 201.6 |
| Less: net loss/(income) attributable to non-controlling interests | 33.2 | (1.7) | 26.4 | (4.0) |
| Comprehensive income attributable to Caesars Growth Partners, LLC | $ 3,888.9 | $ 18.8 | $ 3,943.3 | $ 197.6 |

**CASESARS GROWTH PARTNERS, LLC**
**CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY**
**(UNAUDITED)**
**(In millions)**

| | Additional Paid-in Capital | Retained Earnings | Non-controlling Interests | Total Equity |
|---|---|---|---|---|
| **Balance at January 1, 2015** | $ 1,078.0 | $ 191.9 | $ 33.9 | $ 1,303.8 |
| Net income | — | 197.6 | 4.9 | 202.5 |
| Issuance of Caesars Interactive Entertainment, Inc. common stock | 46.0 | — | 8.6 | 54.6 |
| Purchase of Caesars Interactive Entertainment, Inc. common stock | (44.2) | — | (9.5) | (53.7) |
| Stock-based compensation | 3.6 | — | — | 3.6 |
| Transactions with parents and affiliates, net | (39.8) | — | — | (39.8) |
| Other | 4.0 | — | — | 4.0 |
| **Balance at September 30, 2015** | $ 1,047.6 | $ 389.5 | $ 37.9 | $ 1,475.0 |
| | | | | |
| **Balance at January 1, 2016** | $ 1,277.3 | $ 413.7 | $ 40.2 | $ 1,731.2 |
| Net income | — | 3,943.3 | (26.8) | 3,916.5 |
| Issuance of Caesars Interactive Entertainment, Inc. common stock | 23.2 | — | 4.1 | 27.3 |
| Purchase of Caesars Interactive Entertainment, Inc. common stock and non-controlling interest | (645.1) | — | (7.0) | (652.1) |
| Stock-based compensation | 4.4 | — | — | 4.4 |
| Transactions with parents and affiliates, net | (298.8) | — | — | (298.8) |
| Other | — | 0.6 | 0.1 | 0.7 |
| **Balance at September 30, 2016** | $ 361.0 | $ 4,357.6 | $ 10.6 | $ 4,729.2 |

# CAESARS GROWTH PARTNERS, LLC
# CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
# (UNAUDITED)
# (In millions)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| Cash flows from operating activities | | |
| Net income | $ 3,916.9 | $ 201.6 |
| Net income from discontinued operations | (4,077.1) | (114.4) |
| Adjustments to reconcile net income to cash flows provided by operating activities | | |
| Depreciation and amortization | 129.5 | 110.9 |
| Amortization of debt discount and debt issuance costs | 8.7 | 8.1 |
| Gain on contract termination | — | (5.0) |
| Change in fair value of contingently issuable non-voting membership units | — | (107.5) |
| Stock-based compensation | 191.9 | 27.1 |
| Non-cash management fee payable to related parties | 1.7 | 11.1 |
| Net change in deferred income taxes | (16.0) | 0.2 |
| Net change in long-term accounts | 10.0 | 7.4 |
| Net change in working capital accounts | 120.9 | (24.8) |
| Other | 1.7 | — |
| Cash flows provided by operating activities | 288.2 | 114.7 |
| Cash flows from investing activities | | |
| Land, buildings and equipment additions, net of change in construction payables | (44.7) | (147.5) |
| Return of investment from discontinued operations | 132.1 | 94.4 |
| Contributions to discontinued operations | (143.6) | (29.3) |
| Additional investments in Caesars Enterprise Services, LLC | (2.6) | (1.5) |
| Increase in restricted cash | (4,410.6) | (9.0) |
| Decrease in restricted cash | 1,061.7 | 35.8 |
| Cash flows used in investing activities | (3,407.7) | (57.1) |
| Cash flows from financing activities | | |
| Proceeds from issuance of debt | 15.0 | 80.0 |
| Repayments under lending agreements | (80.4) | (56.0) |
| Payments on long-term debt to related party | — | (20.0) |
| Proceeds from issuance of Caesars Interactive Entertainment, Inc. stock | 2.2 | 4.5 |
| Repurchase of Caesars Interactive Entertainment, Inc. stock | (609.0) | (53.7) |
| Payments to former minority interest holders | (486.6) | — |
| Sale of partial interest in Maryland joint venture | — | 1.0 |
| Distributions to parents, net | (20.9) | (38.6) |
| Acquisition related contingent consideration payment | — | (1.5) |
| Cash flows used in financing activities | (1,179.7) | (84.3) |
| Cash flows from discontinued operations | | |
| Cash flows from operating activities | 141.6 | 87.3 |
| Cash flows from investing activities | 4,384.2 | (8.2) |
| Cash flows from financing activities | 11.5 | (95.8) |
| Net cash from discontinued operations | 4,537.3 | (16.7) |
| Cash held for sale, beginning of period | 111.0 | 103.5 |
| Cash held for sale, end of period | — | 85.8 |
| Net increase/(decrease) in cash and cash equivalents | 349.1 | (25.7) |
| Cash and cash equivalents, beginning of period | 790.7 | 840.6 |
| Cash and cash equivalents, end of period | $ 1,139.8 | $ 814.9 |

## OTHER INFORMATION

***Disposition of SMG Business***

On September 23, 2016, Caesars Interactive Entertainment, LLC ("CIE", formerly Caesars Interactive Entertainment, Inc.), a Delaware limited liability company, a subsidiary of CGP LLC, sold its social and mobile games business (the "SMG Business") for $4.4 billion , subject to customary purchase price adjustments, to Alpha Frontier Limited, a Cayman Islands exempted company ("Purchaser") (such sale, together with the transactions contemplated under the Purchase Agreement, the "Sale"), pursuant to the Stock Purchase Agreement, dated as of July 30, 2016 (the "Purchase Agreement"), entered into by and among CIE, Purchaser, and, solely for certain limited purposes described therein, CGP LLC, and CIE Growth, LLC, a Delaware limited liability company. The Purchaser was backed by a consortium that includes Giant Investment (HK) Limited, an affiliate of Shanghai Giant Network Technology Co., Ltd.; Yunfeng Capital; China Oceanwide Holdings Group Co., Ltd.; China Minsheng Trust Co., Ltd.; CDH China HF Holdings Company Limited and Hony Capital Fund. As a result of the Sale, the historical results of CGP LLC have been recast to reflect the portion of the CIE business disposed of as discontinued operations for all periods presented herein.

CGP LLC recognized a pre-tax gain of approximately $4.2 billion from the Sale. To the extent that there are purchase price adjustments subsequent to September 30, 2016, the overall recorded gain on the transaction may be adjusted. At September 30, 2016, an estimated current income tax expense on the portion of the gain attributable to CAC in the amount of approximately $277.6 million was recorded on CAC's Condensed Balance Sheet within Accrued income taxes. CAC also recorded a Receivable from related party and a corresponding reduction in its Equity method investment in Caesars Growth Partners, LLC for $277.6 million , as CGP LLC is required under the terms of the CGP LLC Operating Agreement to pay CAC's tax obligation resulting from the Sale once such amount is paid by CAC.

In connection with the Sale and related restructuring, CIE retained its World Series of Poker ("WSOP") and regulated online real money gaming ("RMG") businesses. CIE also granted an exclusive, royalty bearing license to Playtika, Ltd. ("Playtika"), a CIE subsidiary constituting part of the SMG Business, with respect to the WSOP and other WSOP-related trademarks owned by CIE or its affiliates and an exclusive royalty bearing sublicense with respect to certain trademarks for continued use in Playtika's social and mobile games business.

Pursuant to the Purchase Agreement, CIE agreed to hold a portion of the Sale proceeds in a separate maintenance account until the occurrence of certain bankruptcy release events. In connection with the closing of the Sale (the "SMG Business Sale Closing"), and pursuant to the Purchase Agreement and the CIE Proceeds and Reservation of Rights Agreement (including exhibits thereto, the "CIE Proceeds Agreement"), dated September 9, 2016, entered into by and among CAC, CIE, Caesars Entertainment Corporation ("CEC") and Caesars Entertainment Operating Company, Inc., a majority owned subsidiary of CEC, CIE agreed to deposit into an escrow account (the "CIE Escrow Account") the Sale proceeds in excess of the sum of: (a) certain amounts used for the payment of transaction expenses related to the SMG Business Sale Closing, (b) distributions to minority shareholders or equity holders of CIE related to the repurchase of CIE equity interests held by such holders, (c) certain tax payments, and (d) the Indemnity Escrow funds, as defined below. In connection with the SMG Business Sale Closing, CIE deposited into the CIE Escrow Account the portion of the Sale proceeds required by the CIE Proceeds Agreement. The funds in the CIE Escrow Account may only be released pursuant to the terms set forth in the CIE Proceeds Agreement. At September 30, 2016, the balance in the CIE Escrow Account was approximately $2,764.0 million , which is included as short-term Restricted cash in CGP LLC's Consolidated Condensed Balance Sheet.

In addition, CIE placed $264.0 million into escrow (the "Indemnity Escrow") to secure the potential indemnity claims of Purchaser for a period of twelve months from the SMG Business Sale Closing date pursuant to the terms of the Purchase Agreement. At September 30, 2016, the balance in the Indemnity Escrow was recorded on CGP LLC's Consolidated Condensed Balance Sheet as short-term Restricted cash and there were no indemnity claims made.

In connection with the SMG Business Sale Closing, CIE repurchased, immediately prior to the SMG Business Sale Closing, all of the shares of CIE common stock held by Rock Gaming Interactive LLC and by CIE's other minority investors (collectively, the "Minority Investors") for the right to receive cash payments representing the fair market value of such shares of CIE common stock at the SMG Business Sale Closing, determined as their pro-rata portion of the aggregate of (a) the Sale proceeds, (b) the fair market value of the WSOP and RMG businesses remaining with CIE following the Sale, and (c) CIE cash on hand at the SMG Business Sale Closing. The difference between the consideration paid and the carrying value of the minority interest was recorded as a reduction to Additional paid-in capital in CGP LLC's Consolidated Condensed Balance Sheet.

None of the outstanding CIE stock options, restricted stock units or warrants were assumed by the Purchaser in the Sale. In connection with the Sale, and pursuant to the permitted authority under the Purchase Agreement and CIE's Amended and Restated Management Equity Incentive Plan, CIE accelerated the vesting of all of the outstanding options, restricted stock units and warrants of CIE (collectively, "CIE Equity Awards"), and, effective immediately prior to the SMG Business Sale Closing, canceled all such CIE Equity Awards in exchange for the right to receive cash payments equal to the intrinsic value of such awards. Expense related to the acceleration of the vesting of the CIE Equity Awards for employees who had historically provided services to the SMG Business was recorded to Discontinued operations and the expense related to the acceleration of the vesting of the CIE Equity Awards for remaining CIE employees was recorded to Property, general, administrative and other in CGP LLC's Consolidated Condensed Statements of Operations and Comprehensive Income.

The total pro-rata share of Sale proceeds delivered to the former holders of CIE Equity Awards and Minority Investors is subject to any purchase price adjustment pursuant to the Purchase Agreement and the release of proceeds, if any, from the Indemnity Escrow at the end of the escrow period, and will be paid to the Minority Investors and the former holders of CIE Equity Awards as and when such amounts are paid to CIE under the Purchase Agreement. The total amount distributed to Minority Investors and former holders of CIE Equity Awards in connection with the SMG Business Sale Closing was approximately $1,052.4 million .

At September 30, 2016, CGP LLC has accrued approximately $87.6 million in Accrued expenses and other current liabilities on its Consolidated Condensed Balance Sheet, representing CGP LLC's best estimate of the amounts still due to former minority shareholders and former holders of CIE Equity Awards for any purchase price adjustments and the release of proceeds held in the Indemnity Escrow.

The following table represents the carrying amounts of assets and liabilities of the disposed SMG Business that are disclosed in the Consolidated Condensed Balance Sheet of CGP LLC as of December 31, 2015.

| (In millions) | December 31, 2015 |
|---|---|
| ***Carrying amounts of major classes of assets included as part of discontinued operations*** | |
| Cash and cash equivalents | $ 111.0 |
| Restricted cash | 1.0 |
| Receivables, net of allowance for doubtful accounts of $0.1 | 57.8 |
| Prepayments and other current assets | 5.8 |
| Total current assets | 175.6 |
| Land, property and equipment, net | 13.7 |
| Goodwill | 88.4 |
| Intangible assets other than goodwill, net | 45.1 |
| Deferred tax assets | 39.0 |
| Deferred charges and other | 1.7 |
| Total non-current assets | 187.9 |
| Total assets of the SMG Business classified as held for sale (1) | $ 363.5 |
| | |
| ***Carrying amounts of major classes of liabilities included as part of discontinued operations*** | |
| Accounts payable | $ 17.1 |
| Payables to related parties | 0.2 |
| Accrued expenses and other current liabilities | 37.8 |
| Foreign tax payable | 1.9 |
| Total current liabilities | 57.0 |
| Deferred tax liabilities | 1.3 |
| Deferred credits and other | 8.1 |
| Total non-current liabilities | 9.4 |
| Total liabilities of the SMG Business classified as held for sale (1) | $ 66.4 |

(1) The assets and liabilities of the SMG Business classified as held for sale are classified as current in CGP LLC's December 31, 2015 Consolidated Condensed Balance Sheet.

The following table represents the carrying amounts of line items constituting Income from discontinued operations of the disposed SMG Business that are presented in the Consolidated Condensed Statements of Operations and Comprehensive Income of CGP LLC for the three and nine months ended September 30, 2016 and 2015 .

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **(In millions)** | **2016** | **2015** | **2016** | **2015** |
| **Revenues** | | | | |
| Social and mobile games | $ 222.3 | $ 183.5 | $ 677.9 | $ 526.5 |
| Net revenues | 222.3 | 183.5 | 677.9 | 526.5 |
| **Operating expenses** | | | | |
| Platform fees | 64.4 | 53.5 | 196.8 | 153.5 |
| Property, general, administrative and other | 341.4 | 66.7 | 532.1 | 186.2 |
| Depreciation and amortization | 5.3 | 6.9 | 19.5 | 22.2 |
| Total operating expenses | 411.1 | 127.1 | 748.4 | 361.9 |
| (Loss)/income from operations | (188.8) | 56.4 | (70.5) | 164.6 |
| Interest expense, net of interest capitalized | 0.2 | 0.1 | 0.2 | (0.5) |
| Gain on sale of SMG Business | 4,161.2 | — | 4,161.2 | — |
| Income from discontinued operations before benefit from/(provision for) income taxes | 3,972.6 | 56.5 | 4,090.9 | 164.1 |
| Benefit from/(provision for) income taxes related to discontinued operations | 46.8 | (19.2) | (13.8) | (49.7) |
| Net income from discontinued operations | $ 4,019.4 | $ 37.3 | $ 4,077.1 | $ 114.4 |