

BARGAINING UPDATE

To: All Caesars Dealers
From: Frank Muscolina
Date: March 19, 2009

The near term outlook for the hospitality industry is grim. To remain competitive, the Company has implemented a variety of initiatives; beginning with changes to management compensation including changes to the 401k match, merit increases and bonus formulas, to name a few. In accordance with the law, any changes impacting the dealers, even when they are being implemented among all departments, must be negotiated at the bargaining table. As a result, the majority of our time over the past several bargaining sessions has been dedicated to interim bargaining rather than longer term contract negotiations. This began last Fall, when we first surfaced the issue of the previously announced and implemented layoffs, including dealers, and keno/racebook.

The parties met again on February 25th at the Sheraton. The Company honored the Union's request to present information about the cost savings initiatives at the Company, which outlined the program designed to reduce costs by \$20 million and its equitable distribution of the sacrifice among employees of all levels. In fact, the first actions of that program exclusively targeted management compensation, reducing all management salaries by 5 percent and freezing salaried employee compensation without increases for 2009. This plan also eliminates all aspects of management bonuses except for the customer service components, which accounts for a small percentage of the management previous bonus potential and is shared with all employees. It is important to note that customer service rewards will still be offered for **all employees**. The customer service bonuses for 2008 have already been paid for non-management employees. Hourly employees are also still eligible for merit increases in 2009.

Other issues of interim bargaining included the reduction of merit increase and bonus percentages as well as the suspension of the 401k match, which has already been implemented for management. The 401k suspension and the merit increase changes have also been implemented in all departments and affects all employees who participate in these company programs. *The Union owes the Company a counter proposal on these issues.*

As we work together to adapt to the increasing decline in economic conditions, it is important for you to know that the Company will take the necessary but difficult steps required to preserve the future for our employees at large. We are not asking any one work-group to shoulder a disproportionate share of the burden, because we all share a vested interest in the future success and competitiveness of our Company. We will continue to exercise our rights, and honor our responsibilities to all of our stakeholders. We appreciate the continued support and shared commitment of our dealers, and all of our employees during this difficult period.

Our next bargaining session will be March 24th and 25th.