

BARGAINING UPDATE

To: All Caesars Dealers

From: Frank Muscolina

Date: May 30, 2009

The parties met last week on May 20, 2009 to continue their collective bargaining negotiations for table games, keno, and simulcast dealers. The most recent bargaining session continued to focus on interim bargaining issues as part of Caesars overall efforts to combat the difficult Atlantic City and national economic climate. We are convinced that these measures will contribute to the Company's efforts to preserve jobs and to fortify its leadership position once the recession ends.

In response, UAW representatives acknowledged the importance of the Company's need to remain competitive. Recent gaming developments in Pennsylvania, Delaware, and New York will only increase the competitive pressure on Caesars and the entire Atlantic City gaming industry. For this reason, Caesars once again raised proposals, including rest breaks and daily tokens, designed to improve productivity and maintain Company flexibility in adjusting to the new competitive realities.

On the bright side, we are pleased that there have been some signs of stabilization to the business. As a result, Caesars is now in a position to recall all laid off dealers. We believe these welcome changes are in part due to the Company's difficult decisions it had to make last fall and earlier this year. This once again reflects how critical it is to be able to respond to business challenges quickly.

The union gave the Company a revised seniority proposal. Despite the changes, the parties remain apart on the fundamental issue of the role seniority should play in such actions as lay off, recall and filling of job vacancies. Caesars has always recognized the importance of length of service. However, in this environment, our business cannot be hamstrung by elevating seniority over everything else, including job performance and customer service. When economic and competitive forces compel the Company to consider workforce restructuring, it must have the flexibility to consider all of these factors. Ultimately, everyone gains when we can deliver the best gaming experience to our customers. And, employees consistently demonstrating optimal performance should not be penalized simply because their length of service is shorter.

Undoubtedly, the parties will return to their discussion about the importance of operational flexibility to remain competitive when negotiations resume on June 24th and 25th.

In the mean time, the last thing that we can afford is further challenges and disruptions to our business. By attacking Caesars and Harrah's publicly through ads and billboards, the union risks hurting our business, which in the end could impact negatively all of us.

The Company remains committed to bargaining in good faith for a reasonable and economically feasible contract that preserves jobs for all employee groups and ensures we can remain competitive in an increasingly challenging environment for Atlantic City casino operators.

Please be sure to ask any of our management team any questions that you may have about this update or collective bargaining negotiations in general.

