



**NOTICE OF (I) EVENTS OF DEFAULT AND (II) DIRECTION OF HOLDERS REGARDING
DISTRIBUTION OF PAYMENTS IN ACCORDANCE WITH SECTION 6.10 OF THE INDENTURE**

**TO THE HOLDERS OF:
CAESARS ENTERTAINMENT OPERATING COMPANY, INC. (the “Company”)
10% SECOND PRIORITY SENIOR SECURED NOTES DUE 2018
(CUSIP NOs. 413627BC3, 413627BD1 and U24658AM5)* and
10% SECOND PRIORITY SENIOR SECURED NOTES DUE 2015
(CUSIP NOs. 413627BA7 and 413627BB5)* (collectively, the “Notes”)**

* The CUSIP numbers are included herein solely for the convenience of the registered owners of the Notes. No representation is made as to the correctness or accuracy of the CUSIP numbers either as printed on the Notes or as contained in this Notice.

THIS NOTICE CONTAINS IMPORTANT INFORMATION THAT IS OF INTEREST TO THE REGISTERED AND BENEFICIAL OWNERS OF THE NOTES. ALL DEPOSITORIES, BROKERS, CUSTODIANS, AND OTHER INTERMEDIARIES RECEIVING THIS NOTICE ARE REQUESTED TO EXPEDITE RE-TRANSMITTAL TO BENEFICIAL OWNERS OF THE NOTES IN A TIMELY MANNER.

Delaware Trust Company, N.A., as successor trustee (“Delaware Trust” or the “Trustee”) pursuant to that certain Agreement of Resignation, Appointment and Acceptance dated as of November 21, 2014 (the “Agreement”) among the Company, Wilmington Savings Fund Society, FSB, as resigning trustee (the “Resigning Trustee”), and Delaware Trust, as the trustee under that certain Indenture dated as of December 24, 2008, as amended and supplemented (the “Indenture”), hereby gives this notice to the holders of the Notes. Unless otherwise noted, capitalized terms used but not defined herein shall have the meaning given them in the Indenture.

Notice of Default and Events of Default and Direction to Trustee

As the Trustee previously notified you, on October 15, 2014, the beneficial owners of over 30% in aggregate principal amount of the Notes provided a Notice of Default to the Company pursuant to Section 6.01 of the Indenture. The Notice of Default states that the Defaults asserted in the Notice of Default shall become Events of Default under the Indenture to the extent such specified Defaults are not remedied within the applicable time periods.

Additionally, as the Trustee previously notified you, on December 8, 2014, the Trustee received a direction (the “Direction Letter”) from holders of a majority in principal amount of the outstanding Notes (the “Directing Holders”) to distribute all funds received by the Trustee in accordance with Section 6.10 of the Indenture for so long as an Event of Default had occurred under the Indenture and was continuing as of such date.

December 15 Payments

On December 15, 2014 there was (i) an interest payment in the aggregate amount of \$41,271,000 due on the Notes in accordance with Section 1 of the terms of the Notes (the “Interest Obligation”) and (ii) a Mandatory Principal Redemption (as defined in the Notes) payment of \$17,631,000 due on the Notes in accordance with Section 6(b) of the terms of the Notes (the “Redemption Obligation”, and together with the Interest Obligation, the “December 15th Obligations”).

On December 15, 2014, the Directing Holders notified the Trustee that the Events of Default referred to in the Direction Letter had occurred and were continuing under the Indenture. The Trustee received \$18,513,390.00 (the “December 15th Disbursement”) in connection with the December 15th Obligations. In accordance with the Direction Letter, the Trustee instructed The Depository Trust Company to allocate the December 15th Disbursement to the holders of record as of December 1, 2014 in accordance with Section 6.10 of the Indenture, which reads in part, “to the holders for amounts due and unpaid on the Notes for principal, premium, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal and interest, respectively.” The calculations are as follows:

10% SECOND PRIORITY SENIOR SECURED NOTES DUE 2018 – Principal Payment

	CUSIP 413627BC3	CUSIP 413627BD1	CUSIP U24658AM5
Principal as % of Total P&I Due	29.89%	29.89%	95.24%
Partial Call Announced	\$1,196,000	\$16,315,000	\$800
Payment Allocated to Partial Call	\$375,394.11	\$5,119,614.19	\$800.00
Rate/1,000	6.69161245	6.68764664	\$1,000.00

10% SECOND PRIORITY SENIOR SECURED NOTES DUE 2018 – Interest Payment

	CUSIP 413627BC3	CUSIP 413627BD1	CUSIP U24658AM5
Interest as % of Total P&I Due	29.89%	29.89%	95.24%
Total Interest Due	\$56,099,200	\$765,533,000	\$800
Payment Allocated to Interst	\$880,405.89	\$12,011,135.81	\$40.00
Rate/1,000	15.69373350	15.68989946	\$50.00

10% SECOND PRIORITY SENIOR SECURED NOTES DUE 2015 – Principal Payment

	CUSIP 413627BA7	CUSIP 413627BB5
Principal as % of Total P&I Due	40.13%	38.71%
Partial Call Announced	\$6,000	\$114,000
Payment Allocated to Partial Call	\$2,528.43	\$46,335.48
Rate/1,000	0.985874703387	0.987164685908

10% SECOND PRIORITY SENIOR SECURED NOTES DUE 2015 – Interest Payment

	CUSIP 413627BA7	CUSIP 413627BB5
Interest as % of Total P&I Due	59.87%	61.29%
Total Interest Due	\$300.00	\$5,700,000
Payment Allocated to Interst	\$3,771.57	\$73,364.52
Rate/1,000	21.07023411	20.32258065

On December 15, 2014, the Company did not make payment of the additional \$40,388,710.00 that was due to the holders of the Notes in connection with the December 15th Obligations.

Retention of Professionals

The Trustee has retained the law firm of Bryan Cave LLP (“Bryan Cave”) and specifically Stephanie Wickowski and Jeremy Finkelstein to represent the Trustee in connection with the Indenture, the Notes and the Bankruptcy Cases. The firm’s address is Bryan Cave LLP, 1290 Avenue of the Americas, 35th Floor, New York, New York 10104, Phone (212) 541-1114.

Trustee’s Fees and Expenses

Delaware Trust in its capacity as Trustee for the Notes has incurred and will continue to incur fees, expenses and disbursements, including professional fees, expenses and disbursements, from time to time. Delaware Trust reserves its rights under Section 7.07 of the Indenture for reimbursement of any of its unpaid fees and expenses, including Trustee’s professional fees, expenses and disbursements, prior to payment of the Notes.

Future Events

The Trustee may periodically communicate with holders of the Notes through written notice of material events of a public nature of which the Trustee has knowledge. While the Trustee will endeavor to keep you informed of major developments that affect your Notes, the Trustee does not intend to provide you with regular updates.

Communications to the Trustee

The Trustee will continue to communicate with holders with respect to any potential future distributions to holders or as circumstances may otherwise warrant. If you wish to contact the Trustee regarding the Notes or the contents of this notice, we ask that you do so in writing directed to:

Attn: Sandra E. Horwitz
Managing Director
Delaware Trust Company
2711 Centerville Road, Suite 400
Wilmington, DE 19808
Email: shorwitz@delawaretrust.com and trust@delawaretrust.com

The Trustee may conclude that a specific response to specific inquiries from particular holders may not be appropriate either because the disclosure in question may not be in the best interest of all holders or may not be consistent with the equal and full dissemination of information to all holders.

Holders should not rely on the Trustee as their sole source of information. The Trustee makes no recommendations and gives no investment, legal, tax or other advice as to the above matters or as to the Notes generally.

DELAWARE TRUST COMPANY, as Trustee

December 16, 2014