CAESARS ACQUISITION CO

FORM 10-Q
(Quarterly Report)

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Address	ONE CAESARS PALACE DRIVE LAS VEGAS, NV, 89109
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Industry	Business Support Services
Sector	Industrials
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 June 30, 2017

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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	☐
			Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

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 August 2, 2017
Class A Common Stock, $0.001 par value	138,984,958

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* . 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)

	June 30, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 34.2	$ 27.5
Receivable from related party	20.9	45.8
Prepayments and other current assets	1.1	1.8
Total current assets	56.2	75.1
Equity method investment in Caesars Growth Partners, LLC	1,629.8	1,605.8
Deferred tax assets	114.3	140.6
Total assets	$ 1,800.3	$ 1,821.5
Liabilities and Stockholders' Equity		
Accrued income taxes	$ —	$ 28.5
Total current liabilities	—	28.5
Deferred credits and other	96.0	94.2
Total liabilities	96.0	122.7
Commitments and contingencies (Note 6)		
Stockholders' Equity		
Common stock: $0.001 par value; 300,000,000 Class A shares and 900,000,000 Class B shares authorized at June 30, 2017 and December 31, 2016; 138,984,958 and 138,458,000 Class A shares issued and outstanding, respectively	0.1	0.1
Additional paid-in capital	1,034.7	1,028.5
Retained earnings	669.5	670.2
Total stockholders' equity	1,704.3	1,698.8
Total liabilities and stockholders' equity	$ 1,800.3	$ 1,821.5

See accompanying Notes to Condensed Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Revenues	$ —	$ —	$ —	$ —
Operating expenses	8.0	7.3	17.3	13.9
Loss from operations	(8.0)	(7.3)	(17.3)	(13.9)
Income from equity method investment in Caesars Growth Partners, LLC	4.7	24.4	18.5	48.8
(Loss)/income before benefit from/(provision for) income taxes	(3.3)	17.1	1.2	34.9
Benefit from/(provision for) for income taxes	0.6	(8.6)	(1.9)	(17.2)
Net (loss)/income	(2.7)	8.5	(0.7)	17.7
Other comprehensive income	—	—	—	—
Comprehensive (loss)/income	$ (2.7)	$ 8.5	$ (0.7)	$ 17.7
(Loss)/earnings per share				
Basic	$ (0.02)	$ 0.06	$ (0.01)	$ 0.13
Diluted	$ (0.02)	$ 0.06	$ (0.01)	$ 0.13
Weighted average common shares outstanding				
Basic	138.9	137.4	138.8	137.4
Diluted	138.9	137.6	138.8	137.6

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, 2016	$ 0.1	$ 1,016.2	$ 51.1	$ 1,067.4
Net income	—	—	17.7	17.7
Stock-based compensation	—	2.3	—	2.3
Balance at June 30, 2016	$ 0.1	$ 1,018.5	$ 68.8	$ 1,087.4
Balance at January 1, 2017	$ 0.1	$ 1,028.5	$ 670.2	$ 1,698.8
Net loss	—	—	(0.7)	(0.7)
Stock-based compensation	—	2.8	—	2.8
Common stock issuances	—	3.4	—	3.4
Balance at June 30, 2017	$ 0.1	$ 1,034.7	$ 669.5	$ 1,704.3

See accompanying Notes to Condensed Financial Statements.

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

	Six Months Ended June 30,	
	2017	**2016**
Cash flows from operating activities		
Net (loss)/income	$ (0.7)	$ 17.7
Adjustments to reconcile net (loss)/income to cash flows provided by operating activities		
Income from equity method investment in Caesars Growth Partners, LLC	(18.5)	(48.8)
Distributions from equity method investee Caesars Growth Partners, LLC	18.5	12.3
Stock-based compensation	2.8	2.3
Deferred income taxes	26.3	13.9
Net change in long-term accounts	1.8	—
Change in assets and liabilities:		
Prepayments and other current assets	0.7	4.4
Accrued income taxes	(28.5)	(0.1)
Cash flows provided by operating activities	2.4	1.7
Cash flows provided by investing activities	—	—
Cash flows from financing activities		
Proceeds from issuance of common stock	4.3	—
Cash flows provided by financing activities	4.3	—
Net increase in cash and cash equivalents	6.7	1.7
Cash and cash equivalents, beginning of period	27.5	19.1
Cash and cash equivalents, end of period	$ 34.2	$ 20.8

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, were consistent with the terms proposed under the second amended Joint Chapter 11 plan of reorganization (as amended, the "Merger Plan") of CEOC and each of the debtors (together with CEOC, the "Debtors") in the CEOC Chapter 11 Cases.

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 special committee of the CAC Board (the "CAC Special Committee") and the special committee of the CEC Board (the "CEC Special Committee"), each composed solely of independent directors, and was approved by the CAC Board and the CEC Board.

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's class A common stock, par value $0.001 per share, and CAC's class B common stock, par value $0.001 per share (collectively, the "CAC Common Stock") and CEC common stock, par value $0.01 per share ("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 Merger 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 Merger Plan that is materially consistent with the Caesars RSAs and the Merger 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 Merger 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 Merger 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 Merger Plan or (y) not being otherwise materially consistent with the Merger 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.

On February 20, 2017, CAC and CEC entered into the First Amendment to the Amended and Restated Agreement and Plan of Merger (the "Amendment"), which amends the Amended and Restated Agreement and Plan of Merger, dated as of July 9, 2016, between CAC and CEC (as amended by the Amendment, the "Amended Merger Agreement").

CEC's registration statement on Form S-4 filed with the Securities and Exchange Commission ("SEC") on March 13, 2017, as amended by Amendment No. 1 to such registration statement on Form S-4 filed with the SEC on June 5, 2017 and Amendment No. 2 to such registration statement on Form S-4 filed with the SEC on June 20, 2017 (as amended, the "Registration Statement"), was declared effective by the SEC on June 23, 2017. Special meetings of CEC and CAC stockholders were held on July 25, 2017, where a majority of stockholders agreed to, among other things, adopt the Merger Agreement and approve the Proposed Merger.

The Amendment provides for, among other things, a fixed exchange ratio such that upon consummation of the Merger, each share of CAC Common Stock, issued and outstanding immediately prior to the effective time of the Merger will be converted into, and become exchangeable for, that number of shares of CEC Common Stock, equal to 1.625 (the "Exchange Ratio"). The Exchange Ratio was calculated using the treasury stock method based on the daily volume-weighted average price of the CAC Common Stock and CEC Common Stock for the 20 consecutive trading days ended February 14, 2017 after taking into account the amount of CEC Common Stock to be issued pursuant to the Third Amended Joint Plan of Reorganization of CEOC, a majority owned subsidiary of CEC, and its debtor subsidiaries that was confirmed by the entry of an order by the United States Bankruptcy Court for the Northern District of Illinois on January 17, 2017 (the "Plan"), but without giving effect to the conversion of the convertible notes to be issued by CEC or the buy-back of CEC Common Stock from certain creditors of CEOC, each as contemplated by the Plan.

CAC's and CEC's obligation to consummate the Proposed Merger remains subject to (i) the receipt of (x) applicable regulatory approvals, including, if required, the expiration or early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and (y) certain tax opinions regarding the tax treatment of certain transactions contemplated by the Plan, (ii) the substantially contemporaneous consummation of the Plan and (iii) other customary closing conditions.

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 unaudited interim financial statements furnished reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented.

The results of operations for our interim periods are not necessarily indicative of the results of operations that may be achieved for the 2017 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, 2016 .

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 is 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 provisions of ASU No. 2016-01. We are currently assessing the impact the adoption of this standard will have on our financial statements.

In June 2016, the 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 May 2017, the FASB issued ASU No. 2017-09, *Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting* , which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. Per ASU No. 2017-09, an entity should account for the effects of a modification unless there is no change to the fair value, vesting conditions, and classification. This ASU is effective for all entities 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.

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 six months ended June 30, 2017 were equal to our pro rata distribution of CGP LLC's net assets as a result of the increase in CGP LLC's net assets subsequent to 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 six months ended June 30, 2016 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, recast for the sale of the SMG Business described below, as of or for the periods indicated (see CGP LLC financial information in Exhibit 99.1):

	Six Months Ended June 30,	
(In millions)	**2017**	**2016**
Statements of Operations		
Revenues		
Net revenues	$ 856.0	$ 861.6
Operating expenses		
Direct operating expenses	378.3	392.1
Property, general, administrative and other	234.2	274.0
Write-downs, reserves and project opening costs, net of recoveries	14.9	1.8
Management fees to related parties	22.4	24.7
Depreciation and amortization	88.4	82.2
Total operating expenses	738.2	774.8
Income from operations	117.8	86.8
Interest expense, net of interest capitalized	(94.9)	(100.1)
Interest income	9.4	—
Loss on extinguishment of debt	(4.6)	—
Other expense, net	(0.2)	—
Income/(loss) from continuing operations before benefit from income taxes	27.5	(13.3)
Benefit from income taxes	—	3.4
Net income/(loss) from continuing operations	27.5	(9.9)
Discontinued operations		
Income from discontinued operations before income taxes	—	118.4
Provision for income taxes related to discontinued operations	—	(47.3)
Net income from discontinued operations	—	71.1
Net income	27.5	61.2
Less: net loss/(income) attributable to non-controlling interests	1.1	(6.8)
Net income attributable to Caesars Growth Partners, LLC	$ 28.6	$ 54.4

Balance Sheet Data (at period end)	**June 30, 2017**	**December 31, 2016**
Current assets	$ 4,049.5	$ 4,197.0
Long-term assets	3,139.2	3,168.7
Current liabilities	348.1	418.8
Long-term liabilities	2,288.0	2,286.8
Redeemable non-controlling interests	0.3	0.4
Equity attributable to Caesars Growth Partners, LLC	4,549.7	4,655.3
Non-redeemable non-controlling interests	2.6	4.4

Disposition of SMG Business

During the six months ended June 30, 2017 , the estimated current income tax expense on the portion of the gain attributable to CAC related to CIE's sale of its SMG Business on September 23, 2016 (such sale, together with transactions contemplated under the Stock Purchase Agreement, dated as of July 30, 2016, the "Sale") was reduced by $26.3 million to $258.6 million . CGP LLC amended the CGP Operating Agreement to clarify the manner that taxable income resulting from the Sale would be allocated amongst the members. This resulted in less taxable income being allocated to CAC with comparatively more taxable income allocated to the other members. $240.0 million was paid during the year ended December 31, 2016 and the remaining $18.6 million accrual is included in Accrued income taxes on CAC's Condensed Balance Sheet. CGP LLC's short-term Restricted cash includes $60.7 million remaining reserved for paying CAC's income tax expense on the portion of the taxable income attributable to CAC.

Pursuant to the Stock Purchase Agreement and the CIE Proceeds and Reservation of Rights Agreement (including exhibits thereto), 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 June 30, 2017 and December 31, 2016 , the balance in the CIE Escrow Account was $2,581.0 million and $2,718.1 million , respectively, which is included as short-term Restricted cash in CGP LLC's Consolidated Condensed Balance Sheets.

In addition, CIE placed $264.0 million into escrow (the "Indemnity Escrow") to secure the potential indemnity claims of the purchaser for a period of twelve months from the SMG Business Sale closing date pursuant to the terms of the Stock Purchase Agreement. At June 30, 2017 and December 31, 2016 , the balance in the Indemnity Escrow was $259.9 million and $259.5 million , respectively, which is included as short-term Restricted cash on CGP LLC's Consolidated Condensed Balance Sheets. There have been no claims made against the Indemnity Escrow account as of the date of the filing of this Form 10-Q.

At both June 30, 2017 and December 31, 2016 , CGP LLC has accrued $63.1 million in Accrued expenses and other current liabilities on its Consolidated Condensed Balance Sheets, representing the amounts still due to the minority investors and former holders of CIE equity awards for the release of proceeds held in the Indemnity Escrow.

Consolidation of CR Baltimore Holdings

CGP LLC consolidates into its financial statements the accounts of any variable interest entity for which it is determined to be the primary beneficiary. Caesars Baltimore Investment Company, LLC ("CBIC") is wholly-owned and consolidated by CGP LLC. CBIC indirectly holds interests in CBAC Borrower, LLC, owner of the Horseshoe Baltimore Casino, through its ownership interest in CR Baltimore Holdings ("CRBH"), a variable interest entity. The counterparty that owns the minority interest in CRBH is restricted from transferring its interest in CRBH without prior consent from CBIC. As a result, CBIC has been determined to be the primary beneficiary of CRBH, and therefore, consolidates CRBH into its financial statements. Under the existing terms of the agreement, the transfer restrictions are expected to expire in the third quarter of 2017, at which time CBIC would no longer be considered the primary beneficiary and would deconsolidate CRBH. CBIC would then record its interest in CRBH at fair value and account for it as an equity method investment from that point forward.

Note 4 — Stockholders' Equity and Earnings Per Share

Stockholders' Equity

Common Stock

As of June 30, 2017 and December 31, 2016 , CAC had a total of 138,984,958 and 138,458,000 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 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 June 30, 2017 , 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 six months ended June 30, 2017 and 2016 , 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. See Note 9 — Related Party Transactions .

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 June 30,		Six Months Ended June 30,	
(In millions, except per share data)	**2017**	**2016**	**2017**	**2016**
Net (loss)/income	$ (2.7)	$ 8.5	$ (0.7)	$ 17.7
Shares used to compute EPS:				
Weighted average common stock outstanding - basic	138.9	137.4	138.8	137.4
Dilutive potential common shares	—	0.2	—	0.2
Weighted average common stock outstanding - diluted	138.9	137.6	138.8	137.6
(Loss)/earnings per share:				
Basic	$ (0.02)	$ 0.06	$ (0.01)	$ 0.13
Diluted	$ (0.02)	$ 0.06	$ (0.01)	$ 0.13

As a result of our net loss for the three and six months ended June 30, 2017 , we have excluded all share-based payment awards from the diluted loss per share calculation as their inclusion would have had an anti-dilutive effect. Had we reported net income for these periods, an additional 0.5 million shares would have been included in the number of shares used to calculate Diluted EPS in each period. There were 1.7 million anti-dilutive shares excluded from the computation of diluted earnings per share for the three and six months ended June 30, 2016 , respectively.

Note 5 — Income Taxes

Total provision for income taxes is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2017**	**2016**	**2017**	**2016**
Benefit from/(provision for) income taxes	$ 0.6	$ (8.6)	$ (1.9)	$ (17.2)

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.

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 six months ended June 30, 2017 was 18.2% and 158.3% , respectively, which differed from the federal statutory tax rate of 35.0% primarily due to interest on uncertain tax positions. The effective tax rate for the three and six months ended June 30, 2016 was 50.3% and 49.3% , 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 2016, 2015, 2014 and 2013 tax years are open for examination for CAC's federal and state jurisdictions.

CAC believes that it is reasonably possible that the unrecognized tax benefits will not materially change within the next 12 months. Audit outcomes and the timing of audit settlements are subject to significant uncertainty. Although we believe that adequate provision has been made for such issues, there is the possibility that the ultimate resolution of such issues could have an adverse effect on our earnings. Conversely, if these issues are resolved favorably in the future, the related provision would be reduced, thus having a favorable impact on earnings.

Note 6 — 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.

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). On January 26, 2017, the Bankruptcy Court extended the stay to remain in effect until the earlier of (a) the effective date of the plan of reorganization confirmed on January 17, 2017, (b) the termination of any restructuring support agreement with the Official Committee of Second Priority Noteholders (the "Second Lien RSA") 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). On January 26, 2017, the Bankruptcy Court extended the stay to remain in effect until the earlier of (a) the effective date of the plan of reorganization confirmed on January 17, 2017, (b) the termination of the Second Lien RSA or (c) further order of the Bankruptcy Court.

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. 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). On January 26, 2017, the Bankruptcy Court extended the stay to remain in effect until the earlier of (a) the effective date of the plan of reorganization confirmed on January 17, 2017, (b) the termination of the Second Lien RSA or (c) further order of the Bankruptcy Court.

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). On January 26, 2017, the Bankruptcy Court extended the stay to remain in effect until the earlier of (a) the effective date of the plan of reorganization confirmed on January 17, 2017, (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, it is our understanding that CEC believes that it is not subject to the above-described guarantees. As a result, it is our understanding that CEC 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 such matters CAC and CGP LLC believe 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.

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. The CEC Group was current with respect to pension contributions at the time of their expulsion.

On December 5, 2016, an interlocutory judgment was entered against CEC and CERP comprising the first quarterly payment of withdrawal liability referred to above, interest and liquidated damages under the Employee Retirement Income Security Act of 1974. On December 19, 2016, CEC and CERP filed a motion to certify a final judgment under Rule 54(b) of the Federal Rules of Civil Procedure for immediate appeal and to stay the plaintiffs' motions to amend and for summary judgment, as described below. On January 11, 2017, the District Court granted the motion to certify a final judgment under Rule 54(b) in the amount of $9 million , but denied the motion for a stay, and a judgment in that amount was entered the next day. CEC has appealed this decision to the Second Circuit, and has bonded the judgment pending appeal.

On December 23, 2016, the plaintiffs filed a motion to amend their complaint to add claims for the second through eighth quarterly payments of withdrawal liability, which the plaintiffs contended were past due, as well as for injunctive relief requiring the defendants to pay all further quarterly payments as they purportedly became due. Also on December 23, 2016, the plaintiffs simultaneously filed a motion for summary judgment against CEC and CERP for payment of the second through eighth quarterly payments of withdrawal liability, for interest, liquidated damages, attorneys' fees and costs, and for injunctive relief requiring the defendants to pay all further quarterly payments as they purportedly became due. The magistrate judge has not yet ruled on these motions.

On March 13, 2017, CEC, CERP, CEOC (on behalf of itself and each of the Debtors and its other direct and indirect subsidiaries), the NRF, the NRF's Legacy Plan, the NRF's Trustees, and others entered into a Settlement Agreement (the "NRF Settlement Agreement"). Under the NRF Settlement Agreement, on the effective date of CEOC's plan of reorganization, CEC would pay $45 million to the NRF (the "NRF Payments") in three different baskets: (1) a settlement basket consisting of $10 million as litigation settlement and $5 million for legal fee reimbursement; (2) a contribution basket consisting of $15 million , which sum will grow at 3.1% per year and which, beginning 17.5 years after the plan effective date, will be applied to offset the first $8 million of contributions to the Legacy Plan annually until completely utilized; and (3) a withdrawal liability basket of $15 million , which does not grow, to be applied if there is a partial or complete withdrawal at any time after the plan effective date. Upon the NRF Payments being made, mutual releases will be exchanged between the CEC-affiliated parties and the NRF-affiliated parties to the NRF Settlement Agreement. On March 20, 2017, the Debtors moved for the NRF Settlement Agreement to be approved by the Bankruptcy Court. Litigation among the parties would be stayed upon Bankruptcy Court approval of the NRF Settlement Agreement, and would be dismissed with prejudice once the Debtors' reorganization plan takes effect and the NRF Payments are made. On April 19, 2017, the Bankruptcy Court approved the NRF Settlement Agreement, and all actions and appeals have been stayed pending the settlement becoming final.

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 7 — Stock-based Compensation

Restricted Stock Units

The following is a summary of CAC's restricted stock unit ("RSU") activity for the six months ended June 30, 2017 :

	Restricted Stock Units	Fair Value [(1)]
Outstanding at January 1, 2017	493,061	$ 11.82
Vested	(126,663)	11.70
Outstanding at June 30, 2017	366,398	11.86

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

As of June 30, 2017 , there was approximately $4.3 million of total unrecognized compensation cost related to RSUs granted under the Caesars Acquisition Company 2014 Performance Incentive Plan (the "PIP Plan"), which is expected to be recognized over a weighted-average remaining period of 1.8 years using the straight-line method.

During the three and six months ended June 30, 2017 , total compensation expense recorded in earnings for RSUs granted under the PIP Plan was $1.6 million and $2.8 million , respectively. During the three and six months ended June 30, 2016 , total compensation expense recorded in earnings for RSUs granted under the PIP Plan was $1.1 million and $1.5 million , respectively. This expense was included in Operating expenses in the Condensed Statements of Operations and Comprehensive (Loss)/Income.

Stock Options

The following is a summary of CAC's stock option activity for the six months ended June 30, 2017 :

	Options	Weighted Average Exercise Price	Fair Value [(1)]	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)
Outstanding at January 1, 2017	1,002,500	$ 9.43	$ 4.70	7.8	$ 4.1
Exercised	(450,375)	9.68	5.57		2.2
Outstanding at June 30, 2017	552,125	9.22	4.00	7.3	5.4
Vested and expected to vest at June 30, 2017	552,125	9.22	4.00	7.3	5.4
Exercisable at June 30, 2017	542,125	9.25	4.01	7.3	5.3

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

There were no stock options granted or canceled during the six months ended June 30, 2017 . The weighted-average grant date fair value of stock options exercised during the six months ended June 30, 2017 was $5.57 . There were no stock options exercised during the six months ended June 30, 2016 .

There were no stock option valuations required during the three and six months ended June 30, 2017 and 2016 .

As of June 30, 2017 , there is less than $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 1.9 years .

During the three and six months ended June 30, 2017 , there was an immaterial amount of compensation expense recorded in earnings for stock options. During the three and six months ended June 30, 2016 , total compensation expense recorded in earnings for stock options was $0.3 million and $0.7 million , respectively. This expense was included in Operating expenses in the Condensed Statements of Operations and Comprehensive (Loss)/Income.

During the six months ended June 30, 2017 , certain RSUs vested and options under the PIP Plan were exercised. CAC issued approximately 526,958 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 was 39.08% at June 30, 2017 .

Note 8 — Supplemental Cash Flow Information

Significant non-cash transactions for the six months ended June 30, 2017 included (1) $18.5 million in income from our equity method investment in CGP LLC, (2) $18.0 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) a $26.3 million adjustment for the estimated tax provision related to the gain on the Sale to be paid by CGP LLC on behalf of CAC.

Significant non-cash transactions for the six months ended June 30, 2016 included (1) $48.8 million in income from our equity method investment in CGP LLC and (2) $10.5 million of fees and expenses paid directly by CGP LLC that were incurred by CAC and 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 six months ended June 30, 2017 , CAC made a tax payment of $2.5 million . During the six months ended June 30, 2016 , CAC did no t make any tax payments and C GP LLC did no t make tax paym ents on behalf of CAC.

There was no interest expense incurred or cash paid for interest during the six months ended June 30, 2017 and 2016 .

Note 9 — 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 CAC 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 . During the year ended December 31, 2016 , shares granted under the Equity Plan vested. During the three and six months ended June 30, 2016 , CGP LLC management fee expense associated with the Equity Plan was $0.7 million and $1.4 million , respectively.

Stock-based Compensation Granted to Related Parties

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 six months ended June 30, 2017 and 2016 was immaterial.

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 10 — Subsequent Event

Because significant recent developments and subsequent events related to our equity method investee could be impactful to our financial performance, we have elected to include disclosure of such items herein.

On July 7, 2017, CBAC Borrower, LLC (the "Borrower") borrowed $300.0 million of term loans (the "Term Loan") pursuant to a Credit Agreement among the Borrower, the lenders party thereto, Wells Fargo Gaming Capital, LLC, as Administrative Agent (the "Administrative Agent"), and Wells Fargo Securities, LLC, Macquarie Capital (USA) Inc. and Nomura Securities International, Inc., as Joint Lead Arrangers and Joint Bookrunners (the "Credit Agreement"). The Credit Agreement also provides for a $15.0 million revolving credit facility (the "Revolving Credit Facility"). The Borrower is the owner of the Horseshoe Baltimore and is a subsidiary of a joint venture among CGP LLC, an affiliate of Jack Entertainment LLC and other local investors.

Credit Agreement

The Term Loan matures in 2024 and the Revolving Credit Facility matures in 2022 and includes a letter of credit sub-facility. The Term Loan requires scheduled quarterly payments in amounts equal to 0.25% of the original aggregate principal amount of the Term Loan, with the balance due at maturity. As of the closing date, no borrowings were outstanding under the Revolving Credit Facility, and no amounts were committed to outstanding letters of credit.

The Credit Agreement allows the Borrower to request one or more incremental term loan facilities and/or increase its commitments under the Revolving Credit Facility in an aggregate amount of up to the sum of (x) the greater of (1) $40.0 million and 0.69 times EBITDA (as defined in the Credit Agreement) plus (y) the amount of certain voluntary prepayments plus (z) such additional amount so long as, (i) in the case of loans under additional credit facilities that rank pari passu with the liens on the collateral securing the Credit Agreement, the Borrower's senior secured leverage ratio on a pro forma basis would not exceed (A) on any date on or prior to December 31, 2017, 3.75 to 1.00 and (B) on any date on or after January 1, 2018, 4.25 to 1.00 , (ii) in the case of loans under additional credit facilities that rank junior to the liens on the collateral securing the Credit Agreement, the Borrower's total secured leverage ratio on a pro forma basis would not exceed 4.50 to 1.00 and (iii) in the case of loans under additional credit facilities that are unsecured, the Borrower's interest coverage ratio on a pro forma basis would not be less than 2.00 to 1.00 , in each case, subject to certain conditions and receipt of commitments by existing or additional financial institutions or institutional lenders.

All future borrowings under the Credit Agreement are subject to the satisfaction of customary conditions, including the absence of a default and the accuracy of representations and warranties.

Interest and Fees

Borrowings under the Credit Agreement bear interest at a rate equal to, at the Borrower's option, either (a) the London Inter-Bank Offered Rate ("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 0% 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 (a) if the Borrower's debt ratings from Moody's and S&P are both B2 (with a stable outlook) and B (with a stable outlook), or better, 3.75% per annum for LIBOR loans and 2.75% per annum for base rate loans and (b) if either such rating is not maintained at such time, 4.00% per annum for LIBOR loans and 3.00% per annum for base rate loans, in each case, subject to a 0.25% step down with respect to the revolving loans based on the Borrower's senior secured leverage ratio.

In addition, on a quarterly basis, the Borrower 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 in the amount of 0.50% of the principal amount of unused commitments of such lender, subject to a stepdown to 0.375% based upon the Borrower's senior secured leverage ratio. The Borrower 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.

Mandatory and Voluntary Prepayments

The Credit Agreement requires the Borrower to prepay outstanding term loans, subject to certain exceptions, with:

- 50% (which percentage will be reduced to 25% if the senior secured leverage ratio is greater than 2.75 to 1.00 but less than or equal to 3.25 to 1.00 , and to 0% if the Borrower's senior secured leverage ratio is less than or equal to 2.75 to 1.00) of the Borrower's annual excess cash flow to the extent such amount exceeds $3.0 million , as defined under the Credit Agreement;

- 100% of the net cash proceeds of certain non-ordinary course asset sales or certain casualty events, in each case subject to certain exceptions and provided that the Borrower may (a) reinvest within 12 months or (b) contractually commit to reinvest those proceeds within 12 months and so reinvest such proceeds within 6 months following the end of such 12 month period, to be used in its business, or certain other permitted investments; and

- 100% of the net cash proceeds of any issuance or incurrence of debt, other than proceeds from debt permitted under the Credit Agreement.

Collateral and Guarantors

The borrowings under the Credit Agreement will be guaranteed by the material, domestic wholly owned subsidiaries of the Borrower (subject to exceptions), and will be secured by a pledge (and, with respect to real property, mortgage) of substantially all of the existing and future property and assets of the Borrower and the guarantors (subject to exceptions), including a pledge of the capital stock of the domestic subsidiaries held by the Borrower and the guarantors and 65% of the capital stock of the first-tier foreign subsidiaries held by the Borrower and the guarantors, in each case subject to exceptions.

Restrictive Covenants and Other Matters

The Credit Agreement includes a maximum first-priority net senior secured leverage ratio financial covenant which is applicable to the Revolving Credit Facility only. In addition, for purposes of determining compliance with such financial maintenance covenant for any fiscal quarter, the Borrower may exercise an equity cure by issuing certain permitted securities for cash or otherwise receiving cash contributions to the capital of the Borrower or any of its direct or indirect parents that will, upon the receipt by the Borrower of such cash, be included in the calculation of EBITDA pro forma. The equity cure right may not be exercised in more than two fiscal quarters during any period of four consecutive fiscal quarters or more than five fiscal quarters during the term of the Revolving Credit Facility. Under the Credit Agreement, the Borrower may also be required to meet specified leverage ratios in order to take certain actions, such as incurring certain debt or making certain acquisitions and asset sales. In addition, the Credit Agreement includes negative covenants, subject to certain exceptions, restricting or limiting the Borrower's ability and the ability of its restricted subsidiaries to, among other things: (i) make non-ordinary course dispositions of assets; (ii) make certain mergers and acquisitions; (iii) make dividends and stock repurchases and optional redemptions (and optional prepayments) of subordinated debt; (iv) incur indebtedness; (v) make certain loans and investments; (vi) create liens; (vii) transact with affiliates; (viii) change the business of the Borrower and its restricted subsidiaries; (ix) enter into sale/leaseback transactions; (x) allow limitations on negative pledges and the ability of restricted subsidiaries to pay dividends or make distributions; (xi) change the fiscal year and (xii) modify subordinated debt documents.

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 six months ended June 30, 2017 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, 2016 .

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"). On February 20, 2017, CAC and CEC entered into the First Amendment to the Amended and Restated Agreement and Plan of Merger (the "Amendment"), which amends the Amended Merger Agreement, dated as of July 9, 2016, between CAC and CEC (as amended by the Amendment, 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 six months ended June 30, 2017 , CAC recognized $4.7 million and $18.5 million , respectively, of income before tax from its equity method investment in CGP LLC, which equals our pro rata distribution of CGP LLC's net assets based upon our ownership percentage in CGP LLC. For the three and six months ended June 30, 2016 , CAC recognized $24.4 million and $48.8 million , respectively, of income before tax from its equity method investment in CGP LLC, which equals the amount of income that we were entitled to under our minimum guaranteed return.

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 six months ended June 30, 2017 , CAC incurred operating expenses of $8.0 million and $17.3 million , respectively. For the three and six months ended June 30, 2016 , CAC incurred operating expenses of $7.3 million and $13.9 million , respectively. For the three and six months ended June 30, 2017 , operating expenses increased primarily due to professional service fees mainly driven by an increase in legal and advisory fees.

Benefit from/(Provision for) Income Taxes

The benefit from/(provision for) income taxes for the three and six months ended June 30, 2017 was $ 0.6 million and $(1.9) million , respectively, and for the three and six months ended June 30, 2016 was $(8.6) million and $(17.2) million , 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 June 30, 2017 , 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 June 30, 2017 or December 31, 2016 .

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 Caesars Interactive Entertainment, LLC ("CIE", formerly Caesars Interactive Entertainment, Inc.), 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.

As a result of CIE's sale of its social and mobile games business (the "SMG Business") on September 23, 2016 (such sale, together with transactions contemplated under the Stock Purchase Agreement, dated as of July 30, 2016, 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.

Consolidated Operating Results of CGP LLC

	Three Months Ended June 30,			Six Months Ended June 30,		
(In millions)	2017	2016	Change	2017	2016	Change
Net revenues	$ 435.2	$ 436.2	$ (1.0)	$ 856.0	$ 861.6	$ (5.6)
Income from operations	64.7	36.9	27.8	117.8	86.8	31.0
Net income/(loss) from continuing operations	19.9	(10.5)	30.4	27.5	(9.9)	37.4
Adjusted EBITDA [(1)]	121.0	116.1	4.9	230.3	222.2	8.1

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

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.

Second Quarter 2017 results compared with Second Quarter 2016

Net revenues were impacted primarily by the following:

- Lower casino revenues at Horseshoe Baltimore due to unfavorable volume and hold.

- This decrease was partially offset by an increase in casino revenues at Harrah's New Orleans due to favorable volume and hold.

Net revenues for the second quarter of 2017 decreased by $1.0 million , or 0.2% , when compared to the same period in 2016 . Total trips decreased by approximately 4.5% in the second quarter of 2017 when compared to the same period in 2016 . Gross casino hold increased to 12.6% for the second quarter of 2017 from 12.5% for the same period in 2016 . Cash average daily room rates for the second quarter of 2017 and 2016 was $ 129 for both periods. Average daily occupancy was 97.4% and 96.0% , respectively, for the second quarter of 2017 and the same period in 2016 . Revenue per available room for the second quarter of 2017 and 2016 was $124 and $122 , respectively, or an increase of 1.6% .

Income from operations for the second quarter of 2017 increased by $27.8 million , or 75.3% , attributable to the income impact of reductions in stock-based compensation expense for CIE as well as a decrease in casino expenses at Horseshoe Baltimore due to a decrease in gaming taxes and labor expenses. These decreases were partially offset by an increase in demolition costs at Planet Hollywood as a result of ongoing renovations. 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, resulting in the accelerated recognition of stock-based compensation expense associated with such awards.

Net income/(loss) from continuing operations for the second quarter of 2017 increased by $30.4 million primarily due to the factors discussed above for the increase in income from operations as well as an increase in interest income partially offset by loss on extinguishment of debt related to the impact of the amendments to the CGPH Term Loan and the payoff of the Cromwell Credit Facility in the second quarter of 2017 discussed in Liquidity and Capital Resources below.

Adjusted EBITDA for the second quarter of 2017 increased by $4.9 million , or 4.2% , driven primarily by a decrease in casino expenses at Horseshoe Baltimore due to a decrease in gaming taxes and labor expenses.

Six Months Ended June 30, 2017 results compared with Six Months Ended June 30, 2016

Net revenues were impacted primarily by the following:

- Lower casino revenues at Horseshoe Baltimore due to unfavorable volume and hold; and

- Lower room and food and beverage revenues at Planet Hollywood due to ongoing renovations.

- These decreases were partially offset by an increase in other revenues due to the additional revenue from the valet and self-parking fees that were fully implemented in Las Vegas in April 2017, amounts related to a sub-license agreement extending the right to use various brands of Caesars Entertainment in connection with social and mobile games to the buyer of the SMG Business;

- Increases in casino revenues at Harrah's New Orleans, The Cromwell and The LINQ Hotel & Casino due to favorable volume and hold; and

- Increases in room revenues at The LINQ Hotel & Casino and Bally's Las Vegas due to improved occupancy rates and revenue per available room.

Net revenues for the six months ended June 30, 2017 decrease d by $5.6 million , or 0.6% , when compared to the same period in 2016 . Total trips decreased by approximately 4.1% in the six months ended June 30, 2017 when compared to the same period in 2016 . Gross casino hold decreased to 12.1% for the six months ended June 30, 2017 from 12.2% for the same period in 2016 . Cash average daily room rates for the six months ended June 30, 2017 increased to $138 , or 3.8% , when compared to $133 for the same period in 2016 . Average daily occupancy was 95.5% and 94.8% , respectively, for the six months ended June 30, 2017 and the same period in 2016 . Revenue per available room for the six months ended June 30, 2017 and 2016 was $129 and $123 , respectively, or an increase of 4.9% .

Income from operations for the six months ended June 30, 2017 increase d by $31.0 million , or 35.7% , attributable to the income impact of reductions in stock-based compensation expense for CIE as well as a decrease in casino expenses at Horseshoe Baltimore due to a decrease in gaming taxes and labor expenses. These decreases were partially offset by an increase in demolition costs as well as depreciation expense resulting from the acceleration of depreciation and asset write-downs for assets that will be replaced as a result of ongoing renovations at Planet Hollywood and the decrease in revenues discussed above. 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, resulting in the accelerated recognition of stock-based compensation expense associated with such awards.

Net income/(loss) from continuing operations for the six months ended June 30, 2017 increase d by $37.4 million primarily due to the factors discussed above for the increase in income from operations as well as an increase in interest income and a decrease in interest expense, net of interest capitalized, partially offset by loss on extinguishment of debt related to the income impact of amendments to the CGPH Term Loan and the payoff of the Cromwell Credit Facility in the second quarter of 2017 discussed in Liquidity and Capital Resources below and a decrease in benefit from income taxes.

Adjusted EBITDA for the six months ended June 30, 2017 increased by $8.1 million , or 3.6% , driven primarily by a decrease in casino expenses at Horseshoe Baltimore partially offset by the decrease in net revenue discussed above.

Incentives are often provided for customers to stay and play at CGP LLC's 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 the allocation of promotional allowances to be within industry standards and appropriate for CGP LLC's brands and competitive environment.

Other Factors Affecting Net Income

	Three Months Ended June 30,			Six Months Ended June 30,		
(In millions)	2017	2016	Change	2017	2016	Change
Interest expense, net of interest capitalized	$ (47.2)	$ (49.2)	$ 2.0	$ (94.9)	$ (100.1)	$ 5.2
Interest income	6.0	—	6.0	9.4	—	9.4
Loss on extinguishment of debt	(4.6)	—	(4.6)	(4.6)	—	(4.6)
Other income/(expense), net	1.0	—	1.0	(0.2)	—	(0.2)
Benefit from income taxes	—	1.8	(1.8)	—	3.4	(3.4)
Net income from discontinued operations	—	34.8	(34.8)	—	71.1	(71.1)
Net loss/(income) attributable to non-controlling interests	0.4	(3.3)	3.7	1.1	(6.8)	7.9

Interest Expense, Net of Interest Capitalized

The debt agreements described in the following table are further defined in Liquidity and Capital Resources. The table below summarizes CGP LLC's interest expenses, net of interest capitalized:

	Three Months Ended June 30,			Six Months Ended June 30,		
(In millions)	2017	2016	Change	2017	2016	Change
CGPH Term Loan, Revolving Credit Facility, and 2022 Notes	$ (35.8)	$ (36.3)	$ 0.5	$ (71.7)	$ (73.2)	$ 1.5
Cromwell Credit Facility	(4.5)	(5.1)	0.6	(9.5)	(10.3)	0.8
Baltimore Credit and FF&E Facilities	(7.3)	(7.5)	0.2	(14.6)	(15.0)	0.4
Other interest income/(expense), net of interest capitalized	0.4	(0.3)	0.7	0.9	(1.6)	2.5
Interest expense, net of interest capitalized	$ (47.2)	$ (49.2)	$ 2.0	$ (94.9)	$ (100.1)	$ 5.2

Interest Income

For the three and six months ended June 30, 2017 , CGP LLC's interest income of $6.0 million and $9.4 million , respectively, primarily relates to interest earned on the proceeds from CIE's sale of its SMG Business in September 2016 that are held in restricted cash. See Note 3 — Equity Method Investment in Caesars Growth Partners, LLC to the CAC financial statements in this Quarterly Report on Form 10-Q.

Loss on Extinguishment of Debt

Inclusive of the impact of the amendments to the CGPH Term Loan and the loan payoff of the Cromwell Credit Facility in accordance with the Loan Amendment, as defined in the Caesars Growth Properties Holdings Senior Secured Credit Facility section below, during the second quarter of 2017, Loss on extinguishment of debt for the three and six months ended June 30, 2017 was $4.6 million in both periods.

Benefit from Income Taxes

The benefit from 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. No provision for income taxes is reported for CIE subsequent to the September 2016 sale of the SMG Business, at which point remaining activities of CIE were transferred to subsidiaries which are treated as business units of CGP LLC and taxed as a partnership for federal and state income tax purposes. The benefit from income taxes for the three and six months ended June 30, 2017 and for the three and six months ended June 30, 2016 for CGP LLC 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 from Discontinued Operations

For the three and six months ended June 30, 2016 , net income from discontinued operations was $34.8 million and $71.1 million , respectively. The decrease in net income from discontinued operations was primarily due to the sale of the SMG Business in September 2016.

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

CGP LLC's non-controlling interest reflects the non-controlling interest associated with consolidating CIE through September 22, 2016 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. For the three and six months ended June 30, 2016 , net income of $0.7 million and $4.5 million , respectively, was attributable to non-controlling interests in CIE. For the three and six months ended June 30, 2017 , net loss of $0.4 million and $1.1 million , respectively, was attributable to non-controlling interests in the Maryland Joint Venture. For the three and six months ended June 30, 2016 , net income of $2.6 million and $2.3 million , respectively, was attributable to non-controlling interests in the Maryland Joint Venture.

Reconciliations of Net Income/(Loss) from Continuing Operations 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.

(In millions)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net income/(loss) from continuing operations	$ 19.9	$ (10.5)	$ 27.5	$ (9.9)
Benefit from income taxes	—	(1.8)	—	(3.4)
Income/(loss) from continuing operations before benefit from income taxes	19.9	(12.3)	27.5	(13.3)
Interest expense, net of interest capitalized	47.2	49.2	94.9	100.1
Interest income	(6.0)	—	(9.4)	—
Depreciation and amortization	41.9	42.8	88.4	82.2
EBITDA	103.0	79.7	201.4	169.0
Loss on extinguishment of debt (1)	4.6	—	4.6	—
Write-downs, reserves and project opening costs, net of recoveries (2)	9.1	1.2	14.9	1.8
Stock-based compensation (3)	1.0	32.0	2.1	46.2
Other (4)	3.3	3.2	7.3	5.2
Adjusted EBITDA	$ 121.0	$ 116.1	$ 230.3	$ 222.2

(1) Amounts represent the difference between the fair value of consideration paid and the book value, net of deferred financing costs, of debt retired through debt extinguishment transactions, which are capital structure-related, rather than operational-type costs.
(2) Amounts primarily represent development costs related to the renovation of Planet Hollywood.
(3) Amounts represent stock-based compensation expense related to stock options, restricted stock and restricted stock units and warrants.
(4) Amounts represent other add-backs and deductions to arrive at Adjusted EBITDA but not separately identified, such as 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. 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'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 for the three and six months ended June 30, 2017 were $41.6 million and $75.9 million , respectively, and $18.3 million and $31.5 million , respectively, for the three and six months ended June 30, 2016 . The majority of capital spending in the first half of 2017 and 2016 related to property renovations at Planet Hollywood. Capital expenditures net of related payables for Planet Hollywood were $15.2 million and $36.5 million , respectively, for the three and six months ended June 30, 2017 and $9.6 million and $15.9 million , respectively, for the three and six months ended June 30, 2016 .

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") 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 $1,034.7 million and $1,049.8 million , respectively, as of June 30, 2017 and December 31, 2016 .

Payments of short-term debt obligations and other commitments are expected to be made from operating cash flows. Long-term obligations are expected to be paid through operating cash flows, refinancing of existing debt or the issuance of new debt, or, if necessary, additional investments from its equity holders. CGP LLC's operating cash inflows are used for operating expenses, debt service costs, working capital needs and capital expenditures in the normal course of business. CGP LLC's 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 $2,909.7 million and $3,045.7 million , respectively, as of June 30, 2017 and December 31, 2016 . The classification of restricted cash between current and long-term is dependent upon the intended use of each particular reserve. At June 30, 2017 and December 31, 2016 , Restricted cash includes $2,581.0 million and $2,718.1 million , respectively, restricted under the terms of the Stock Purchase Agreement, and under the CIE Proceeds and Reservation of Rights Agreement entered into between CIE, CAC, CEC and 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 of 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. For the three and six months ended June 30, 2017 , distributions from the CIE Escrow Account to CEC were $98.8 million and $141.8 million , respectively. In addition, CIE placed $264.0 million into escrow (the "Indemnity Escrow") to secure the potential indemnity claims of the purchaser for a period of twelve months from the SMG Business Sale closing date pursuant to the terms of the Stock Purchase Agreement. At June 30, 2017 and December 31, 2016 , the balance in the Indemnity Escrow was $259.9 million and $259.5 million , respectively, which is included as short-term Restricted cash on CGP LLC's Consolidated Condensed Balance Sheet. There have been no indemnity claims made against the Indemnity Escrow account. Restricted cash and cash equivalents also include amounts restricted under the terms of the Baltimore Credit Facility and amounts related to Harrah's New Orleans to guarantee workers' compensation payments and for capital replacements required under the Rivergate Development Corporation lease agreement.

As of June 30, 2017 and December 31, 2016 , CGP LLC had $2,322.0 million and $2,329.5 million , respectively, of face value of indebtedness outstanding, including capital lease indebtedness. Cash paid for interest for the six months ended June 30, 2017 and 2016 were $90.2 million and $93.6 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 June 30, 2017 and December 31, 2016 .

	Final	Interest Rates at	Face Value at	Book Value at	
(In millions)	**Maturity**	**June 30, 2017**	**June 30, 2017**	**June 30, 2017**	**December 31, 2016**
Secured debt					
Caesars Growth Properties Holdings Revolving Credit Facility [(1)]	2019	variable	$ —	$ —	$ —
Caesars Growth Properties Holdings Term Loan [(2)]	2021	variable	1,314.4	1,291.2	1,119.2
Caesars Growth Properties Holdings Notes	2022	9.375%	675.0	663.0	662.1
Horseshoe Baltimore Credit and FF&E Facilities [(3)]	2019 - 2020	8.25% - 8.75%	314.6	305.9	308.9
Cromwell Credit Facility [(4)]	N/A	N/A	—	—	167.2
Capital lease obligations	2017	various	—	—	0.1
Other financing obligations	2018	8.00%	4.7	4.3	4.1
Unsecured debt					
Special Improvement District Bonds	2037	5.30%	13.3	13.3	13.7
Other financing obligations	2017	various	—	—	0.2
Total debt			2,322.0	2,277.7	2,275.5
Current portion of total debt			(22.0)	(22.0)	(20.9)
Long-term debt			$ 2,300.0	$ 2,255.7	$ 2,254.6

(1) Variable interest rate calculated as London Inter-Bank Offered Rate ("LIBOR") plus 3.00% .
(2) Variable interest rate calculated as LIBOR, subject to a 1.00% floor, plus 3.00% .
(3) See Note 10 — Subsequent Event to the CAC condensed financial statements.
(4) The Cromwell Credit Facility was repaid during the second quarter of 2017.

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"), CGPH, 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").

On April 27, 2017, CGPH entered into an Incremental Assumption Agreement and Amendment No. 1 (the "Loan Amendment"), by and among CGPH, Caesars Growth Properties Parent, LLC ("CGPP") and the Administrative Agent. The Loan Amendment amends the First Lien Credit Agreement, dated as of May 8, 2014, among CGPH, CGPP, the lenders party thereto and the Administrative Agent (the "First Lien Credit Agreement").

Among other things, the Loan Amendment (a) provides for an increase of CGPH's existing term loan facility by $175.0 million to approximately $1.3 billion (the "Term Facility") and (b) reduced the interest rate margins applicable to the Term Facility and CGPH's existing $150.0 million revolving credit facility.

In accordance with the Loan Amendment, the proceeds of the $175.0 million increase of the Term Facility were held in escrow until the receipt of all required regulatory approvals, at which time the escrowed proceeds would be released to repay the property specific term loan encumbering The Cromwell. In June 2017, all required regulatory approvals were received, the escrowed proceeds were released and the property specific term loan encumbering The Cromwell was repaid. The Cromwell became part of the CGPH restricted group (which is subject to certain restrictions or limitations placed on CGPH and its restricted subsidiaries) and its assets are pledged as collateral for both the CGPH $1.3 billion term loan and the CGPH $675.0 million aggregate principal amount of 9.375% second-priority senior secured notes due 2022.

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 June 30, 2017 , 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.

Through April 26, 2017, borrowings under the CGPH Term Loan bear interest at a rate equal to, at CGPH'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"). As of April 27, 2017, borrowings under the CGPH Term Loan bear interest at a rate equal to LIBOR rate, subject to a floor of 1.00% , plus 3.00% per annum with a reduction to LIBOR, subject to a floor of 1.00% , plus 2.75% upon the achievement of certain leverage ratios. 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 June 30, 2017 and December 31, 2016 , the book value of the CGPH Term Loan was presented net of the unamortized discount of $19.3 million and $22.5 million , respectively, and net of unamortized debt issuance costs of $3.9 million in each period. The effective interest rates were 4.73% and 6.87% , respectively, as of June 30, 2017 and December 31, 2016 .

The CGPH Term Loan is guaranteed by the Parent and substantially all 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 June 30, 2017 , CGPH's SSLR was 2.83 to 1.00 .

As of June 30, 2017 , the assets of Harrah's New Orleans, Bally's Las Vegas, Planet Hollywood, The LINQ Hotel & Casino and The Cromwell were pledged as collateral for the CGPH Term Loan. As of December 31, 2016 , 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 June 30, 2017 and December 31, 2016 , the book value of the 2022 Notes was presented net of the unamortized discount of $10.5 million and $11.3 million , respectively, and net of unamortized debt issuance costs of $1.5 million and $1.6 million , respectively. The effective interest rate was 9.84% as of both June 30, 2017 and December 31, 2016 .

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 June 30, 2017 , the assets of Harrah's New Orleans, Bally's Las Vegas, Planet Hollywood, The LINQ Hotel & Casino and The Cromwell were pledged as collateral for the 2022 Notes. As of December 31, 2016 , 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 $1.45 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 Borrower, LLC ("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 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 and (ii) a $10.0 million senior secured revolving facility with a five-year maturity that remained undrawn at June 30, 2017 . 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 June 30, 2017 and December 31, 2016 , the book value of the Baltimore Credit Facility was presented net of the unamortized discount of $5.6 million and $6.3 million , respectively, and net of unamortized debt issuance costs of $3.1 million and $3.6 million , respectively. The effective interest rate was 9.77% as of both June 30, 2017 and December 31, 2016 .

As of June 30, 2017 and December 31, 2016 , the assets of Horseshoe Baltimore were pledged as collateral for the Baltimore Credit Facility and therefore can only be used to settle Horseshoe Baltimore's obligations. The creditors or beneficial holders of Horseshoe Baltimore have no recourse to the general credit of CGP LLC.

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.

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 June 30, 2017 .

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.

In accordance with the Loan Amendment, in June 2017, the property specific term loan encumbering The Cromwell was repaid and CGP LLC recognized a $3.6 million loss extinguishment included in Loss on extinguishment of debt contained in the CGP LLC financial information included in Exhibit 99.1 of this Quarterly Report on Form 10-Q in the Consolidated Condensed Statements of Operations and Comprehensive (Loss)/Income.

As of December 31, 2016 , the book value of the Cromwell Credit Facility was presented net of the unamortized discount of $3.0 million and net of unamortized debt issuance costs of $1.2 million . The effective interest rate was 11.93% as of December 31, 2016 .

As of December 31, 2016 , 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.

Other Obligations and Commitments

The table below summarizes CGP LLC's debt and related interest obligations as of June 30, 2017 .

	Payments Due by Period				
(In millions)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**After 5 years**
Debt payable to third parties, face value	$ 2,322.0	$ 21.9	$ 37.9	$ 1,288.4	$ 973.8
Estimated interest payments to third parties [(1)]	690.0	69.4	285.2	251.9	83.5
Total	$ 3,012.0	$ 91.3	$ 323.1	$ 1,540.3	$ 1,057.3

(1) Estimated interest for variable rate debt included in this table is based on rates at June 30, 2017 .

Off-Balance Sheet Arrangements

CGP LLC did not have any off-balance sheet arrangements at June 30, 2017 and December 31, 2016 .

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 No. 2014-09 for all entities by one year. The FASB issued several amendments including ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* , in April 2016, ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients* , in May 2016, and ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers* , in December 2016, which further clarifies and amends certain guidance in Topic 606 including clarification on accounting for and identifying performance obligations. The FASB also issued ASU No. 2017-05, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets* , in February 2017 which clarifies and amends certain guidance in Topic 610, *Other Income* . 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 in the process of its analysis and anticipates this standard will have a material effect on its consolidated financial statements. As described below, CGP LLC expects the most significant effect will be related to the accounting for the Total Rewards customer loyalty program and casino promotional allowances. However, the quantitative effects of these changes have not yet been determined and are still being analyzed.

The Total Rewards customer loyalty program impacts revenues from CGP LLC's four core businesses: casino entertainment, food and beverage, rooms and hotel, and entertainment and other business operations. Currently, CGP LLC estimates the cost of fulfilling the redemption of Reward Credits, after consideration of estimated forfeitures (referred to as "breakage"), based upon the cost of historical redemptions. Upon adoption of the new guidance, Reward Credits will no longer be recorded at cost, and a deferred revenue model will be used to account for the classification and timing of revenue recognized as well as the classification of related expenses when Reward Credits are redeemed. This will result in a portion of casino revenues being recorded as deferred revenue and being recognized as revenue in a future period when the Reward Credits are redeemed, and the revenue will be classified according to the good or service for which the Reward Credits were redeemed (e.g., a hotel room).

Additionally, CGP LLC expects to see a significant decrease in gaming revenues. The presentation of goods and services provided to customers without charge in gross revenue with a corresponding reduction in promotional allowances will no longer be reported. Revenue will be recognized based on relative standalone selling prices for transactions with more than one performance obligation. For example, when a casino customer is given a complimentary room, CGP LLC will be required to allocate a portion of the casino revenue earned from the customer to rooms revenue based on the standalone selling price of the room.

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.

Currently, all of CGP LLC's capital leases are set to expire before the initial effective date and will not require any accounting adjustments. Accounting for CGP LLC's operating leases where CGP LLC is the lessor will remain unchanged. Operating leases, including agreements relating to slot machines, will be recorded on the balance sheet as a right-of-use ("ROU") asset with a corresponding lease liability, which will be amortized using the effective interest rate method as payments are made. The ROU asset will be depreciated on a straight-line basis and recognized as lease expense. The qualitative and quantitative effects of adoption are still being analyzed. CGP LLC is in the process of evaluating the full effect the new guidance will have on its financial statements.

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.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* , which simplifies the goodwill impairment test by eliminating the need to determine the fair value of individual assets and liabilities of a reporting unit to measure goodwill impairment. The same impairment assessment applies to all reporting units including those with zero or negative carrying amounts. A goodwill impairment will represent the excess of a reporting unit's carrying amount over its fair value. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendments in ASU No. 2017-04 should be applied on a prospective basis. Disclosure of the nature and reason for the change in accounting principle upon transition is required. For public business entities, the amendments in this ASU are effective for annual or interim goodwill impairments tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. CGP LLC plans to implement the updated guidance when the annual goodwill impairment assessment is performed on October 1, 2017, or earlier, if impairment indicators exist.

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 10 — Subsequent Event 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 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;
- 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;
- the effects of any lawsuits against CAC, CGP LLC or CGPH related to the formation transactions, the May 2014 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;
- 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 " in this Form 10-Q or the Company's Annual Report on Form 10-K for the year ended December 31, 2016 .

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 Disclosures 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 $16.1 million . At June 30, 2017 , the weighted average U.S. Dollar LIBOR rate on our variable rate debt was 1.23% . A hypothetical 1.0% decrease in interest rates would decrease interest expense for the next twelve months by $6.0 million .

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

As of June 30, 2017 , 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 $1,788.9 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 of the SMG Business, 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 June 30, 2017 . 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 June 30, 2017 , at a reasonable assurance level.

Changes in Internal Controls

We have commenced several transformation initiatives, including implementing new general ledger software to automate and simplify our business processes. These are long-term initiatives that we believe will enhance our internal control over financial reporting due to increased automation and integration of related processes. We will continue to monitor and evaluate our internal control over financial reporting throughout the transformation.

There have not been any other changes in our internal control over financial reporting during the three months ended June 30, 2017 , that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings .

We are subject to a number of Noteholder Disputes related to various transactions that CEOC has completed since 2010, as well as certain other litigation. See Note 6 — Litigation, Contractual Commitments and Contingent Liabilities to the CAC condensed financial statements for full details of the matters outlined below.

Noteholder Disputes

- Litigation commenced by Wilmington Savings Fund Society, FSB on August 4, 2014 (the "Delaware Second Lien Lawsuit")
- Litigation commenced by parties on September 3, 2014 and October 2, 2014 (the "Senior Unsecured Lawsuits")
- Litigation commenced by UMB Bank on November 25, 2014 (the "Delaware First Lien Lawsuit")
- Demands for payment made by Wilmington Savings Fund Society, FSB on February 13, 2015 (the "February 13 Notice")
- Demands for payment made by BOKF, N.A., on February 18, 2015 (the "February 18 Notice")
- Litigation commenced by BOKF, N.A. on March 3, 2015 (the "New York Second Lien Lawsuit")
- Litigation commenced by UMB Bank on June 15, 2015 (the "New York First Lien Lawsuit")
- Litigation commenced by Wilmington Trust, National Association on October 20, 2015 (the "New York Senior Notes Lawsuit")

Other Litigation

- Litigation commenced by Trustees of the National Retirement Fund in January 2015 ("NRF Litigation")

Item 1A. Risk Factors .

For risk factors that could cause actual results to differ materially from those anticipated, please refer to our Annual Report on Form 10-K for the year ended December 31, 2016 .

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 .

None.

Item 6. Exhibits .

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
10.1	Credit Agreement, dated as of July 7, 2017, among CBAC Borrower, LLC, the lenders party thereto, Wells Fargo Gaming Capital, LLC, as Administrative Agent, and Wells Fargo Securities, LLC, Macquarie Capital (USA) Inc. and Nomura Securities International, Inc., as Joint Lead Arrangers and Joint Bookrunners.	—	8-K	—	10.1	7/7/2017
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 June 30, 2017 and December 31, 2016, and for the three and six months ended June 30, 2017 and 2016.	X				
101	The following financial statements from the Company's Form 10-Q as of June 30, 2017 and December 31, 2016, and for the three and six months ended June 30, 2017 and 2016, formatted in XBRL: (i) Condensed Balance Sheets, (ii) Condensed Statements of Operations and Comprehensive (Loss)/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

August 3, 2017	By:	/S/ TROY J. VANKE
		Troy J. Vanke
		Chief Accounting Officer

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: August 3, 2017

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: August 3, 2017

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 June 30, 2017 (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: August 3, 2017

/ 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 June 30, 2017 (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: August 3, 2017

/ 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 (the "Company," "CAC," "we," "our" and "us") 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 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)

	June 30, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 1,034.7	$ 1,049.8
Restricted cash	2,904.2	3,040.2
Receivables, net of allowance for doubtful accounts of $7.7 and $7.4, respectively	79.4	73.1
Prepayments and other current assets	31.2	33.9
Total current assets	4,049.5	4,197.0
Investment in Caesars Enterprise Services, LLC	28.1	29.1
Land, property and equipment, net	2,469.2	2,481.4
Goodwill	214.1	214.1
Intangible assets other than goodwill, net	193.2	200.7
Restricted cash	5.5	5.5
Prepaid management fees to related parties	187.7	194.0
Deferred charges and other	41.4	43.9
Total assets	$ 7,188.7	$ 7,365.7
Liabilities and Equity		
Current liabilities		
Accounts payable	$ 31.7	$ 43.0
Payables to related parties	63.8	119.9
Accrued expenses and other current liabilities	219.6	220.8
Accrued interest payable	11.0	14.2
Current portion of long-term debt	22.0	20.9
Total current liabilities	348.1	418.8
Long-term debt	2,255.7	2,254.6
Deferred credits and other	32.3	32.2
Total liabilities	2,636.1	2,705.6
Commitments and contingencies		
Redeemable non-controlling interests	0.3	0.4
Equity		
Additional paid-in capital	149.6	283.8
Retained earnings	4,400.1	4,371.5
Total equity attributable to Caesars Growth Partners, LLC	4,549.7	4,655.3
Non-controlling interests	2.6	4.4
Total equity	4,552.3	4,659.7
Total liabilities and equity	$ 7,188.7	$ 7,365.7

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues				
Casino	$ 265.4	$ 267.0	$ 518.0	$ 532.9
Food and beverage	64.2	66.6	133.2	137.0
Rooms	89.3	91.2	182.9	184.2
Other	64.4	58.9	119.2	108.1
Less: casino promotional allowances	(48.1)	(47.5)	(97.3)	(100.6)
Net revenues	435.2	436.2	856.0	861.6
Operating expenses				
Direct				
Casino	133.7	139.2	270.2	283.6
Food and beverage	30.8	31.4	61.2	62.2
Rooms	24.2	23.9	46.9	46.3
Property, general, administrative and other	119.5	148.4	234.2	274.0
Write-downs, reserves, and project opening costs, net of recoveries	9.1	1.2	14.9	1.8
Management fees to related parties	11.3	12.4	22.4	24.7
Depreciation and amortization	41.9	42.8	88.4	82.2
Total operating expenses	370.5	399.3	738.2	774.8
Income from operations	64.7	36.9	117.8	86.8
Interest expense, net of interest capitalized	(47.2)	(49.2)	(94.9)	(100.1)
Interest income	6.0	—	9.4	—
Loss on extinguishment of debt	(4.6)	—	(4.6)	—
Other income/(expense), net	1.0	—	(0.2)	—
Income/(loss) from continuing operations before benefit from income taxes	19.9	(12.3)	27.5	(13.3)
Benefit from income taxes	—	1.8	—	3.4
Net income/(loss) from continuing operations	19.9	(10.5)	27.5	(9.9)
Discontinued operations				
Income from discontinued operations before income taxes	—	52.4	—	118.4
Provision for income taxes related to discontinued operations	—	(17.6)	—	(47.3)
Net income from discontinued operations	—	34.8	—	71.1
Net income	19.9	24.3	27.5	61.2
Less: net loss/(income) attributable to non-controlling interests	0.4	(3.3)	1.1	(6.8)
Net income attributable to Caesars Growth Partners, LLC	$ 20.3	$ 21.0	$ 28.6	$ 54.4

CAESARS GROWTH PARTNERS, LLC
CONSOLIDATED CONDENSED STATEMENTS OF EQUITY
(UNAUDITED)
(In millions)

	Additional Paid-in Capital	Retained Earnings	Non-controlling Interests	Total Equity
Balance at January 1, 2016	$ 1,277.3	$ 413.7	$ 40.2	$ 1,731.2
Net income	—	54.4	6.6	61.0
Issuance of Caesars Interactive Entertainment, Inc. common stock	20.3	—	3.6	23.9
Purchase of Caesars Interactive Entertainment, Inc. common stock	(34.6)	—	(8.5)	(43.1)
Stock-based compensation	3.3	—	—	3.3
Transactions with parents and affiliates, net	(12.8)	—	—	(12.8)
Other	—	0.6	0.1	0.7
Balance at June 30, 2016	$ 1,253.5	$ 468.7	$ 42.0	$ 1,764.2
Balance at January 1, 2017	$ 283.8	$ 4,371.5	$ 4.4	$ 4,659.7
Net income/(loss)	—	28.6	(1.1)	27.5
Distribution to non-controlling interest holders	—	—	(0.7)	(0.7)
Stock-based compensation	2.1	—	—	2.1
Transactions with parents and affiliates, net	(136.3)	—	—	(136.3)
Balance at June 30, 2017	$ 149.6	$ 4,400.1	$ 2.6	$ 4,552.3

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

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities		
Net income	$ 27.5	$ 61.2
Net income from discontinued operations	—	(71.1)
Adjustments to reconcile net income to cash flows provided by operating activities		
Depreciation and amortization	88.4	82.2
Amortization of debt discount and debt issuance costs	6.1	5.8
Loss on extinguishment of debt	4.6	—
Stock-based compensation	2.1	46.2
Non-cash management fee payable to related parties	—	1.4
Debt issuance costs and fees write-off	2.9	—
Net change in deferred income taxes	—	(5.8)
Net change in long-term accounts	7.5	5.0
Net change in working capital accounts	(34.1)	13.9
Other	(0.9)	1.2
Cash flows provided by operating activities	104.1	140.0
Cash flows from investing activities		
Land, buildings and equipment additions, net of change in construction payables	(75.9)	(31.5)
Return of investment from discontinued operations	—	116.0
Contributions to discontinued operations	—	(0.8)
Investment in Caesars Enterprise Services, LLC	—	(0.7)
Cash flows (used in)/provided by investing activities	(75.9)	83.0
Cash flows from financing activities		
Proceeds from issuance of long-term debt	226.0	15.0
Debt issuance costs and fees	(3.7)	—
Repayments under lending agreements	(233.1)	(72.9)
Payments to non-controlling interest holders	(7.3)	—
Repurchase of Caesars Interactive Entertainment, Inc. stock	—	(43.1)
Proceeds from issuance of Caesars Interactive Entertainment, Inc. stock	—	2.2
Distributions to parents, net	(161.2)	(12.2)
Cash flows used in financing activities	(179.3)	(111.0)
Cash flows from discontinued operations		
Cash flows from operating activities	—	135.5
Cash flows from investing activities	—	(8.2)
Cash flows from financing activities	—	(115.2)
Net cash from discontinued operations	—	12.1
Cash held for sale, beginning of period	—	111.0
Cash held for sale, end of period	—	120.3
Net (decrease)/increase in cash, cash equivalents and restricted cash	(151.1)	114.8
Cash, cash equivalents and restricted cash, beginning of period	4,095.5	802.2
Cash, cash equivalents and restricted cash, end of period	$ 3,944.4	$ 917.0

OTHER INFORMATION

Adoption of Accounting Standards Update No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash

CGP LLC has early adopted Accounting Standards Update ("ASU") No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* , in 2016 and has retrospectively applied the amendments. Prior to the adoption of ASU No. 2016-18, our Consolidated Condensed Statements of Cash Flows reported changes in restricted cash as investing activities and excluded restricted cash from cash and cash equivalents beginning and ending balances. Impacts of early adoption on prior period include: increase in cash, cash equivalents, and restricted cash balances as of June 30, 2016 and December 31, 2015 to $917.0 million and $802.2 million , respectively.

Reclassification of Prior Period Food and Beverage and Other Revenues

CGP LLC reclassified certain prior period amounts to align with its 2017 reporting presentation. Within the Consolidated Condensed Statements of Operations and Comprehensive Income, for the three and six months ended June 30, 2016 , $1.5 million and $3.4 million , respectively, was reclassified from Food and beverage revenues to Other revenues. This reclassification did not affect CGP LLC's consolidated condensed total Net revenues, Income from operations, or Net income attributable to Caesars Growth Partners, LLC.

Disposition of SMG Business

As a result of Caesars Interactive Entertainment, LLC's ("CIE", formerly Caesars Interactive Entertainment, Inc.) sale of its social and mobile games business (the "SMG Business") on September 23, 2016 (such sale, together with transactions contemplated under the Stock Purchase Agreement, dated as of July 30, 2016, 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.

During the six months ended June 30, 2017 , the estimated current income tax expense on the portion of the gain attributable to CAC was reduced by $26.3 million to $258.6 million . CGP LLC amended the Amended and Restated Limited Liability Company Agreement, the transaction agreement related to the formation of CGP LLC, to clarify the manner that taxable income resulting from the Sale would be allocated amongst the members. This resulted in less taxable income being allocated to CAC with comparatively more taxable income allocated to the other members. $240.0 million was paid during the year ended December 31, 2016 and the remaining $18.6 million due is included in Payables to related party on CGP LLC's Consolidated Condensed Balance Sheet. CGP LLC's short-term Restricted cash includes $60.7 million remaining reserved for paying CAC's income tax expense on the portion of the taxable income attributable to CAC.

Pursuant to the Purchase Agreement and the CIE Proceeds and Reservation of Rights Agreement (including exhibits thereto, the "CIE Proceeds Agreement"), CIE deposited into an escrow account (the "CIE Escrow Account") the portion of the Sale proceeds required by the CIE Proceeds Agreement. At June 30, 2017 and December 31, 2016 , the balance in the CIE Escrow Account was $2,581.0 million and $2,718.1 million , respectively, which is included as short-term Restricted cash in CGP LLC's Consolidated Condensed Balance Sheets.

In addition, CIE placed $264.0 million into escrow (the "Indemnity Escrow") to secure the potential indemnity claims of the purchaser for a period of twelve months from the SMG Business Sale closing date pursuant to the terms of the Stock Purchase Agreement. At June 30, 2017 and December 31, 2016 , the balance in the Indemnity Escrow was $259.9 million and $259.5 million , respectively, which is included as short-term Restricted cash on CGP LLC's Consolidated Condensed Balance Sheets. There have been no claims made against the Indemnity Escrow account as of the date of the filing of this Form 10-Q.

At both June 30, 2017 and December 31, 2016 , CGP LLC has accrued $63.1 million in Accrued expenses and other current liabilities on its Consolidated Condensed Balance Sheets, representing the amounts still due to the minority investors and former holders of CIE equity awards for the release of proceeds held in the Indemnity Escrow.

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 six months ended June 30, 2016 .

(In millions)	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Revenues		
Social and mobile games	$ 237.4	$ 455.6
Net revenues	237.4	455.6
Operating expenses		
Platform fees	68.9	132.5
Property, general, administrative and other	108.3	189.6
Depreciation and amortization	6.8	14.1
Total operating expenses	184.0	336.2
Income from discontinued operations	53.4	119.4
Other expense, net	(1.0)	(1.0)
Income from discontinued operations before provision for income taxes	52.4	118.4
Provision for income taxes related to discontinued operations	(17.6)	(47.3)
Net income from discontinued operations	$ 34.8	$ 71.1

Consolidation of CR Baltimore Holdings

CGP LLC consolidates into its financial statements the accounts of any variable interest entity for which it is determined to be the primary beneficiary. Caesars Baltimore Investment Company, LLC ("CBIC") is wholly-owned and consolidated by CGP LLC. CBIC indirectly holds interests in CBAC Borrower, LLC, owner of the Horseshoe Baltimore Casino, through its ownership interest in CR Baltimore Holdings ("CRBH"), a variable interest entity. The counterparty that owns the minority interest in CRBH is restricted from transferring its interest in CRBH without prior consent from CBIC. As a result, CBIC has been determined to be the primary beneficiary of CRBH, and therefore, consolidates CRBH into its financial statements. Under the existing terms of the agreement, the transfer restrictions are expected to expire in the third quarter of 2017, at which time CBIC would no longer be considered the primary beneficiary and would deconsolidate CRBH. CBIC would then record its interest in CRBH at fair value and account for it as an equity method investment from that point forward.

Subsequent Event

On July 7, 2017, CBAC Borrower, LLC (the "Borrower") borrowed $300.0 million of term loans (the "Term Loan") pursuant to a Credit Agreement among the Borrower, the lenders party thereto, Wells Fargo Gaming Capital, LLC, as Administrative Agent (the "Administrative Agent"), and Wells Fargo Securities, LLC, Macquarie Capital (USA) Inc. and Nomura Securities International, Inc., as Joint Lead Arrangers and Joint Bookrunners (the "Credit Agreement"). The Credit Agreement also provides for a $15.0 million revolving credit facility (the "Revolving Credit Facility"). The Borrower is the owner of the Horseshoe Baltimore and is a subsidiary of a joint venture among CGP LLC, an affiliate of Jack Entertainment LLC and other local investors.

Credit Agreement

The Term Loan matures in 2024 and the Revolving Credit Facility matures in 2022 and includes a letter of credit sub-facility. The Term Loan requires scheduled quarterly payments in amounts equal to 0.25% of the original aggregate principal amount of the Term Loan, with the balance due at maturity. As of the closing date, no borrowings were outstanding under the Revolving Credit Facility, and no amounts were committed to outstanding letters of credit.

The Credit Agreement allows the Borrower to request one or more incremental term loan facilities and/or increase its commitments under the Revolving Credit Facility in an aggregate amount of up to the sum of (x) the greater of (1) $40.0 million and 0.69 times EBITDA (as defined in the Credit Agreement) plus (y) the amount of certain voluntary prepayments plus (z) such additional amount so long as, (i) in the case of loans under additional credit facilities that rank pari passu with the liens on the collateral securing the Credit Agreement, the Borrower's senior secured leverage ratio on a pro forma basis would not exceed (A) on any date on or prior to December 31, 2017, 3.75 to 1.00 and (B) on any date on or after January 1, 2018, 4.25 to 1.00 , (ii) in the case of loans under additional credit facilities that rank junior to the liens on the collateral securing the Credit Agreement, the Borrower's total secured leverage ratio on a pro forma basis would not exceed 4.50 to 1.00 and (iii) in the case of loans under additional credit facilities that are unsecured, the Borrower's interest coverage ratio on a pro forma basis would not be less than 2.00 to 1.00 , in each case, subject to certain conditions and receipt of commitments by existing or additional financial institutions or institutional lenders.

All future borrowings under the Credit Agreement are subject to the satisfaction of customary conditions, including the absence of a default and the accuracy of representations and warranties.

Interest and Fees

Borrowings under the Credit Agreement bear interest at a rate equal to, at the Borrower's option, either (a) the London Inter-Bank Offered Rate ("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 0% 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 (a) if the Borrower's debt ratings from Moody's and S&P are both B2 (with a stable outlook) and B (with a stable outlook), or better, 3.75% per annum for LIBOR loans and 2.75% per annum for base rate loans and (b) if either such rating is not maintained at such time, 4.00% per annum for LIBOR loans and 3.00% per annum for base rate loans, in each case, subject to a 0.25% step down with respect to the revolving loans based on the Borrower's senior secured leverage ratio.

In addition, on a quarterly basis, the Borrower 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 in the amount of 0.50% of the principal amount of unused commitments of such lender, subject to a stepdown to 0.375% based upon the Borrower's senior secured leverage ratio. The Borrower 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.

Mandatory and Voluntary Prepayments

The Credit Agreement requires the Borrower to prepay outstanding term loans, subject to certain exceptions, with:

- 50% (which percentage will be reduced to 25% if the senior secured leverage ratio is greater than 2.75 to 1.00 but less than or equal to 3.25 to 1.00 , and to 0% if the Borrower's senior secured leverage ratio is less than or equal to 2.75 to 1.00) of the Borrower's annual excess cash flow to the extent such amount exceeds $3.0 million , as defined under the Credit Agreement;

- 100% of the net cash proceeds of certain non-ordinary course asset sales or certain casualty events, in each case subject to certain exceptions and provided that the Borrower may (a) reinvest within 12 months or (b) contractually commit to reinvest those proceeds within 12 months and so reinvest such proceeds within 6 months following the end of such 12 month period, to be used in its business, or certain other permitted investments; and

- 100% of the net cash proceeds of any issuance or incurrence of debt, other than proceeds from debt permitted under the Credit Agreement.

Collateral and Guarantors

The borrowings under the Credit Agreement will be guaranteed by the material, domestic wholly owned subsidiaries of the Borrower (subject to exceptions), and will be secured by a pledge (and, with respect to real property, mortgage) of substantially all of the existing and future property and assets of the Borrower and the guarantors (subject to exceptions), including a pledge of the capital stock of the domestic subsidiaries held by the Borrower and the guarantors and 65% of the capital stock of the first-tier foreign subsidiaries held by the Borrower and the guarantors, in each case subject to exceptions.

Restrictive Covenants and Other Matters

The Credit Agreement includes a maximum first-priority net senior secured leverage ratio financial covenant which is applicable to the Revolving Credit Facility only. In addition, for purposes of determining compliance with such financial maintenance covenant for any fiscal quarter, the Borrower may exercise an equity cure by issuing certain permitted securities for cash or otherwise receiving cash contributions to the capital of the Borrower or any of its direct or indirect parents that will, upon the receipt by the Borrower of such cash, be included in the calculation of EBITDA pro forma. The equity cure right may not be exercised in more than two fiscal quarters during any period of four consecutive fiscal quarters or more than five fiscal quarters during the term of the Revolving Credit Facility. Under the Credit Agreement, the Borrower may also be required to meet specified leverage ratios in order to take certain actions, such as incurring certain debt or making certain acquisitions and asset sales. In addition, the Credit Agreement includes negative covenants, subject to certain exceptions, restricting or limiting the Borrower's ability and the ability of its restricted subsidiaries to, among other things: (i) make non-ordinary course dispositions of assets; (ii) make certain mergers and acquisitions; (iii) make dividends and stock repurchases and optional redemptions (and optional prepayments) of subordinated debt; (iv) incur indebtedness; (v) make certain loans and investments; (vi) create liens; (vii) transact with affiliates; (viii) change the business of the Borrower and its restricted subsidiaries; (ix) enter into sale/leaseback transactions; (x) allow limitations on negative pledges and the ability of restricted subsidiaries to pay dividends or make distributions; (xi) change the fiscal year and (xii) modify subordinated debt documents.