

CAESARS WORLD, INC.
1801 CENTURY PARK EAST
LOS ANGELES, CALIFORNIA 90067

Notice of Annual Meeting of Stockholders
December 9, 1986

TO THE STOCKHOLDERS OF CAESARS WORLD, INC.

Notice is hereby given that the Annual Meeting of the Stockholders of Caesars World, Inc. will be held at the Century Plaza Hotel, 2025 Avenue of the Stars, Los Angeles, California 90067 on December 9, 1986 at 10:00 A.M. Pacific Standard Time, to consider and act with respect to the following:

1. The election of nine directors for the ensuing year;
2. Adoption of amendment to the Restated Articles of Incorporation changing the stated purposes;
3. The adoption of amendment to Restated Articles of Incorporation to protect the Company's licenses by requiring shareholders failing to obtain required licenses to dispose of their stock;
4. A shareholder's proposal to restrict certain actions of the Board of Directors;
5. The transaction of such other business as may properly come before the meeting.

Only stockholders of record at the close of business on October 15, 1986 will be entitled to notice of or to vote at the meeting or any adjournments of the meeting. The Company's transfer books will not be closed.

IF YOU DO NOT INTEND TO BE PRESENT IN PERSON AT THE MEETING, PLEASE SIGN AND PROMPTLY RETURN THE ENCLOSED PROXY. IF YOU ATTEND THE MEETING AND VOTE IN PERSON, THE PROXY WILL NOT BE USED.

By order of the Board of Directors

PHILIP L. BALL
Secretary

Dated: October 24, 1986

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PROXY STATEMENT

CAESARS WORLD, INC.

1801 Century Park East
Los Angeles, California 90067

The accompanying Proxy is solicited by the Board of Directors of Caesars World, Inc. (the "Company"). All shares represented by proxies will be voted in the manner designated. If no designation is made on a proxy, it will be voted for the election of directors. This Proxy Statement and the accompanying form of Proxy are being mailed to the stockholders on or about October 24, 1986.

REVOCATION

Execution and delivery of the enclosed Proxy will not affect the right of any person to attend the meeting and vote in person. Any stockholder giving a proxy has the power to revoke it any time before it is voted by delivery of a written instrument of revocation or a duly executed proxy bearing a later date to the Secretary of Caesars World, Inc., 1801 Century Park East, Los Angeles, California 90067. The presence of a stockholder at the meeting will not operate to revoke a proxy, but the casting of a ballot by a stockholder who is present at the meeting will revoke a proxy as to the matter on which the ballot is cast.

SOLICITATION EXPENSES

The Company will bear the cost of soliciting proxies. Proxies are being solicited by mail and, in addition, directors, officers and employees of the Company may solicit proxies personally or by telephone or telegraph. No additional compensation will be paid on account of any such solicitations. Although there is no formal agreement to do so, the Company will reimburse custodians, brokerage houses, nominees and other fiduciaries for the cost of sending proxy material to their principals. The Company will use the services of The Carter Organization, Inc., a professional soliciting organization, to assist in soliciting proxies from brokerage houses, custodians, nominees and other fiduciaries. The Company estimates that the fee of The Carter Organization, Inc. for these services will be approximately \$12,000.

VOTING SECURITIES

Only stockholders of record at the close of business on October 15, 1986, will be entitled to vote at the meeting. The outstanding voting securities of the Company on that date were 30,089,171 shares of \$0.10 par value Common Stock. Each of the outstanding shares is entitled to one vote.

ELECTION OF DIRECTORS

Nominees for Election

The Articles of Incorporation fix the number of Directors at not less than three nor more than nine. The Board of Directors currently consists of nine members and nine persons are to be elected at this annual meeting. It is the intent of the persons named in the accompanying Proxy to vote for the following persons as Directors of the Company, to hold office until the next annual meeting of the stockholders and until their successors are duly elected and qualified:

**PHILIP L. BALL, ABRAHAM S. BOLSKY, WILLIAM E. CHAIKIN, PETER ECHEVERRIA,
HENRY GLUCK, J. TERRENCE LANNI, M. PETER SCHWEITZER,
PETER J. SPRAGUE AND MANUEL YELLEN.**

Under the present interpretation of New Jersey licensing requirements, a Director may not assume office until at least temporarily qualified by the New Jersey Casino Control Commission. All the foregoing nominees are qualified under New Jersey licensing requirements.

Security Ownership of Management

The following table sets forth certain information as of September 1, 1986 with respect to the shares of the Company's Common Stock and the shares of Common Stock of Caesars New Jersey, Inc. ("CNJ"), a subsidiary of the Company, beneficially owned by each of the named Directors and by the Directors and Officers of the Company as a Group:

Name	Caesars New Jersey, Inc. Common Stock		Caesars World, Inc. Common Stock	
	Amount Beneficially Owned(1)	Percent of Total Outstanding	Amount Beneficially Owned(2)(3)	Percent of Total Outstanding
Philip L. Ball	0	*	37,600	*
Abraham S. Bolsky	0	*	1,000	*
William E. Chaikin	0	*	0	*
Peter Echeverria	0	*	28,500	*
Henry Gluck	0	*	200,000	*
J. Terrence Lanni	130	*	82,962	*
M. Peter Schweitzer	0	*	32,250	*
Peter J. Sprague	0	*	0	*
Manuel Yellen	800	*	12,210	*
All Directors and Officers as a Group (17 persons)	1,240	*	452,251	1.51%

* The asterisk in the column captioned "Percent of Total Outstanding" for Caesars New Jersey, Inc. Common Stock and Caesars World, Inc. Common Stock indicates less than 1% of the Outstanding Common Stock of the respective Companies is beneficially owned as of September 1, 1986.

- (1) The number of shares of Caesars New Jersey, Inc. Common Stock beneficially owned by each of named Directors and all Directors and Officers as a Group does not include any shares as to which such beneficial owner has a right to acquire since no such rights are known to exist.
- (2) The number of shares of Caesars World, Inc. Common Stock listed as beneficially owned by the named Directors and all Directors and Officers as a Group includes the following number of shares not presently owned but as to which such listed beneficial owner has the right to acquire beneficial ownership by exercise of options on or before October 31, 1986: Mr. Ball — 20,000 shares; Mr. Echeverria — 25,000 shares; Mr. Gluck — 150,000 shares; Mr. Lanni — 17,720 shares; Mr. Schweitzer — 31,250 shares and All Directors and Officers as a Group — 269,970 shares. Except for such shares, each person listed in the table has sole voting and sole investment power with respect to all shares listed in the table opposite such person's name.
- (3) The number of shares of CWI common stock listed as beneficially owned by the named Directors and all Directors and Officers as a Group includes the following number of shares issued under the Key Employee Stock Bonus Plan: Henry Gluck — 50,000 shares; J. Terrence Lanni — 27,500 shares; Philip L. Ball — 17,500 shares and Roger Lee — 17,500 shares. One other senior executive not named in the Cash Compensation Table received restricted stock in the amount of 5,000 shares. See the description of this Plan under Compensation of Directors and Executive Officers.

Security Ownership of a Certain Beneficial Owner

The following table sets forth information concerning the only person who to the knowledge of the Company owns beneficially more than 5% of the outstanding shares of Common Stock of the Company:

Name and Address of Beneficial Owner	Common Stock Owned As of September 3, 1986	
	No. of Shares	Percent of Class
Martin T. Sosnoff(1) 499 Park Avenue New York, New York 10022	4,110,675	13.6%

- (1) Mr. Sosnoff has filed an amended statement on Schedule 13D with the Securities and Exchange Commission dated September 3, 1986 reporting that he has sole dispositive power with respect to all of these shares. This holding includes 217,675 shares which may be acquired through the conversion of \$5 million of 6 $\frac{1}{8}$ % Convertible Subordinated Debentures of the Company.

Additional Information Concerning Nominees and Members of the Board of Directors

All Directors also serve and are standing for election as Directors of Caesars New Jersey, Inc. ("CNJ"), an 86.6% owned subsidiary of the Company.

Philip L. Ball (age 52) is a Senior Vice President, the Secretary, the General Counsel and a Director of the Company and CNJ and has held this position since he joined the Company and CNJ in July 1983. From 1971 until he joined the Company he was Vice President, General Counsel and Secretary, and beginning in 1973 a Director, of Monogram Industries, Inc., a diversified manufacturing company listed on the New York Stock Exchange. Mr. Ball became a Director of the Company and CNJ in July, 1983.

Abraham S. Bolsky (age 64) has been President of Tishman Construction Corporation of California, a privately-owned general contractor and construction manager on major projects in the western United States, for more than the past five years. In addition, Mr. Bolsky has been a Director (for more than five years) and Executive Vice President (for more than five years) of Tishman Realty and Construction Co., a privately-owned leading construction and development firm. Mr. Bolsky has been a Director of the Company and CNJ since December 1983.

William E. Chaikin (age 67) since 1983 has been a general partner in a private limited partnership in the business of acquiring and distributing motion pictures. Since 1969 he has been Vice President and part owner of California Casa Corp., a privately owned company actively engaged in real estate acquisitions and management in the greater Los Angeles, California area. Mr. Chaikin served as Chairman of the Board of American Title Insurance Company between 1962 and 1972 and as President of Avco Embassy Pictures Corp. between 1974 and 1979. Mr. Chaikin has been a Director of the Company and CNJ since December, 1984.

Peter Echeverria (age 68) retired in 1983 after having been engaged for more than thirty-five years in the practice of law as a member of Echeverria and Osborne, located in Reno, Nevada. He was a member of the Nevada Gaming Commission from April 1973 to April 1977 and was its Chairman from August 1973 to April 1977. Since July 1, 1983 he has conducted a consulting firm in Reno, Nevada. He has been a director of Desert Palace, Inc., a subsidiary of the Company, since November 1977 and a Director of the Company and CNJ since May 1981.

Henry Gluck (age 58) has been Chief Executive Officer of the Company and CNJ since February 1983 and Chairman of the Board of these Companies since June 1983. From 1973 to February 1983, he was President of Arluck International, a private management advisory firm. From February 1979 to April 1983,

he served as Chairman of the Board of Standun, Inc., a major supplier of can making equipment. Mr. Gluck became a Director of the Company and CNJ in October 1982.

J. Terrence Lanni (age 43) is the President and Chief Operating Officer of the Company and CNJ. He joined the Company in January 1977 and became Treasurer in February 1977, Senior Vice President in April 1978, Executive Vice President in December 1979 and President in April 1981. He became a Director of the Company and CNJ in February 1982.

M. Peter Schweitzer (age 76) has been the Vice Chairman of the Boards of the Company and CNJ since December 1981 (having performed the function of Vice Chairman of these Boards for eight months prior to that). He has been a Director of the Company since 1977 and of CNJ since 1978.

Peter J. Sprague (age 47) has for more than five years been the Chairman of the Board of National Semiconductor Corporation, an international manufacturer of integrated circuits. He became a Director of the Company and CNJ in October 1982.

Manuel Yellen (age 73) has been a consultant to the Company since January 1975. He is retired, having formerly been the Chairman of the Board and Chief Executive Officer of P. Lorillard Company, Inc., a manufacturer of tobacco and other products. He has been a Director of the Company since 1973 and of CNJ since 1978.

Functioning and Compensation of the Board of Directors and the Audit and Compensation Committee

Non-employee Directors of the Company including Mr. Yellen, who is also a paid consultant to the Company, receive \$2,000 per month for serving as directors of the Company and \$1,000 per month for serving on the CNJ Board. Also, Peter Echeverria receives \$1,000 per month for serving as a Director of Desert Palace, Inc., a subsidiary of the Company.

The Boards of Directors of the Company and CNJ each have Audit and Compensation Committees with identical composition currently consisting of Messrs. Echeverria (Chairman), Bolsky, and Chaikin. Members of the Audit and Compensation Committees, except the Chairman, receive \$750 for each Committee meeting of the Company and \$750 for each meeting of CNJ's Audit and Compensation Committee. The Chairman receives a fee of \$1,250 per month from the Company and a fee of \$833 per month from CNJ for serving as Chairman of the respective Audit and Compensation Committees. The functions of the Audit and Compensation Committees are making recommendations regarding the engagement of the Company's and CNJ's independent auditors after consultation with management, reviewing the arrangements for and scope of the engagement of the independent auditors, approving compensation of certain senior officers of the Company and CNJ and reviewing transactions in which officers, directors or control persons of the Company and CNJ may have potential conflicts of interest. As officers and full-time employees of the Company, Messrs. Gluck, Lanni, Schweitzer and Ball receive no separate compensation for services as Directors. See Compensation of Directors and Executive Officers in this Proxy Statement for a description of the compensation of these persons.

The Company's Board of Directors held four regular meetings and one telephonic meeting during fiscal 1986. As the members of the Board also serve as the Board of Directors of CNJ, all such sessions were joint meetings. All Directors were present at all meetings except Mr. Sprague who missed one regular meeting and one telephonic meeting. During the fiscal year ended July 31, 1986, the Audit and Compensation Committees of the Company and CNJ held ten meetings (including four telephonic meetings), five of which were in joint session. Neither the Company nor CNJ has a nominating committee.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Cash Compensation

The following table sets forth the cash compensation paid and accrued by the Company and its subsidiaries during the fiscal year ended July 31, 1986, to each of the five most highly compensated executive officers of the Company and to all executive officers as a group:

Cash Compensation Table

<u>Name of individual or number in group</u>	<u>Capacities in which served</u>	<u>Cash Compensation</u>
Henry Gluck	Chairman of the Board and Chief Executive Officer	\$ 861,502
J. Terrence Lanni	President and Chief Operating Officer	\$ 497,523
Philip L. Ball	Senior Vice President and Secretary, General Counsel	\$ 244,382
Roger Lee	Senior Vice President — Finance and Administration	\$ 241,201
M. Peter Schweitzer	Vice Chairman of the Board	\$ 203,150
Executive Officers as a group (14 persons)		\$3,023,790

Executive Security Plan

The Company has an unfunded Executive Security Plan for full time salaried officers and other key employees of the Company and its subsidiaries. This Plan became effective on August 1, 1981. Participation in the Plan is generally dependent on the person's position and requires a recommendation by the President of the Company or the respective subsidiary and approval of the Administrative Committee of the Plan. Participation of certain senior officers would also require approval of the Audit and Compensation Committee of the Board of Directors. Under the Plan, each participant may become entitled to receive, beginning at age 65, an annual retirement benefit equal to 2% multiplied by the participant's average earned base compensation (average of highest five years of base compensation earned during the participant's last ten years of employment with the Company) multiplied by the number of years of credited service, but not more than 65% of the average base compensation. Base compensation includes salaries, exclusive of bonuses (except for Messrs. Gluck and Lanni), and is not the same as cash compensation shown in the Cash Compensation Table under the Executive Compensation section of this Proxy Statement which includes incentive compensation and other payments. Beginning August 1, 1985, Mr. Gluck's and Mr. Lanni's incentive compensation is included in base compensation pursuant to their respective employment agreements. Deferred salary is included in base salary. An additional 5% benefit is awarded after the first ten years of credited service. If a participant terminates employment with the Company before reaching age 65, he may choose to receive a lump sum benefit or a reduced retirement benefit according to formulas set forth in the Plan. The benefits under the Plan vest after five years of credited service with the Company. The following table illustrates the annual retirement benefits payable by the Company stated as a straight life annuity for specified compensation levels and years of service classifications. The Plan also offers the options of a joint or survivor annuity at a reduced rate or a lump sum benefit settlement and provides for ten years of guaranteed payments if the employee does not survive that long. The Plan also provides for death benefits equal to the greater of the amount of the participant's annual base compensation rate in effect at the date of death or the present value of a guaranteed 120 payment retirement

benefit. The death benefit is substantially covered by insurance. Pursuant to employment contracts, Messrs. Gluck and Lanni have the option to require the Company to partially secure its obligations (subject to the claims of creditors) by deposits in a trust fund.

Pension Plan Table

Average Compensation for highest 5 of last 10 years	Estimated Annual Benefits at Age 65 For Representative Years of Service				
	15	20	25	30	35
\$ 100,000.....	\$ 35,000	\$ 45,000	\$ 55,000	\$ 65,000	\$ 65,000
200,000.....	70,000	90,000	110,000	130,000	130,000
300,000.....	105,000	135,000	165,000	195,000	195,000
400,000.....	140,000	180,000	220,000	260,000	260,000
500,000.....	175,000	225,000	275,000	325,000	325,000
600,000.....	210,000	270,000	330,000	390,000	390,000
800,000.....	280,000	360,000	440,000	520,000	520,000
1,000,000.....	350,000	450,000	550,000	650,000	650,000
1,200,000.....	420,000	540,000	660,000	780,000	780,000

Benefits shown on the table are not subject to reduction for social security benefits or other offset amounts.

As of July 31, 1986, the five officers listed below plus 67 other officers and employees of the Company and its subsidiaries were participating in the Executive Security Plan. As to the employment contract pension rights based on incentive compensation for Messrs. Gluck and Lanni, their fiscal 1986 incentive compensation was \$429,144 and \$168,269, respectively, and each has one year of credited prior service. The years of credited service for the Plan and current base compensation of Messrs. Gluck, Lanni, Ball, Lee and Schweitzer are as follows:

	Years of Credited Service	Current Base Compensation
Henry Gluck.....	4	\$480,000
J. Terrence Lanni.....	9	360,000
Philip L. Ball.....	3	180,000
Roger Lee.....	1	180,000
M. Peter Schweitzer.....	5	150,000

As of July 31, 1986, the Company and its subsidiaries had accrued \$5,578,882 for the payment of benefits under the Executive Security Plan.

During the fiscal year ended July 31, 1986, the Company and its subsidiaries made employer contributions to the Caesars World, Inc. Individual Retirement Account Plan in connection with the Executive Security Plan on behalf of the eligible executive officers of the Company which contributions are reflected in the Cash Compensation Table of this Proxy Statement.

Incentive Compensation Plan

The Company has adopted Incentive Compensation Plans for fiscal 1987 with respect to certain officers of the corporation. Basically, the Plans provide for incentive compensation for each officer designated to participate based on a designated percentage of corporate pre-tax income (before extraordinary items, accrued incentive compensation and minority interest) in excess of 12% of shareholders' equity as of July 31, 1986 (adjusted if certain stock sales or repurchases occur during fiscal 1987). The applicable percentage for each participant is determined by the Audit and Compensation Committee for persons named in the Cash

Compensation Table and by Messrs. Gluck and Lanni for other participants. The fiscal 1987 incentive compensation percentages of each of the officers covered by the Plan separately listed in the Cash Compensation Table are as follows: Henry Gluck — 0.8%, J. Terrence Lanni — 0.48%, Philip L. Ball — 0.165%, and Roger Lee — 0.165%. The coverage of Messrs. Gluck and Lanni is effectively mandated under their employment contracts. The total incentive compensation percentage for all executive officers to be covered under the Plans is 2.07%. No officer can receive incentive compensation in excess of a maximum of 50% of such person's salary, except Mr. Gluck as to whom the maximum is 100%. Subject to the foregoing overall maximums, participating officers are also eligible for a discretionary bonus not to exceed 12.5% of their salary, however, no such discretionary bonuses were distributed during the fiscal year ended July 31, 1986. There are a total of eleven participants in the Plans. Incentive Compensation accrued for the fiscal year ended July 31, 1986 is included in the Cash Compensation Table in the Executive Compensation section of this Proxy Statement.

Stock Options Under the Company's 1983 Long-Term Stock Incentive Program

The 1983 Long-Term Stock Incentive Program was adopted by the Company and approved by the shareholders on December 15, 1983. It is administered by the Audit and Compensation Committee of the Company and that Committee is empowered to grant awards under the Plan to key employees of the Company or any subsidiary. Under the Plan, 1,250,000 shares are available for award. The Plan continues until December 31, 1993. Awards under the Plan may include performance shares, performance bonuses, stock grants, stock options (including incentive stock options), stock appreciation rights, cash payments, or any combination thereof as the Audit and Compensation Committee may determine in its sole discretion. To date the only awards under this Plan have been stock options (including incentive stock options), limited stock appreciation rights, stock appreciation rights and restricted stock grants.

The following table contains information about stock options granted or exercised during the fiscal year ended July 31, 1986 under CWI's 1983 Long-Term Stock Incentive Program with regard to each of the five most highly compensated executive officers of CWI and all executive officers as a group. Each option exercise price was at least equal to the market value of the common stock on the date the option was granted.

Name	Caesars World, Inc. Common Stock		
	Granted During Fiscal 1986	Average per Share Exercise Price	Net Value Realized With Respect to Options Exercised During 1986(2)
Henry Gluck(1)	100,000	\$14.88	none
J. Terrence Lanni(1)	50,000	14.88	none
Philip L. Ball	none	none	none
Roger Lee.....	none	none	none
M. Peter Schweitzer.....	none	none	none
Executive Officers as a Group (14 persons).....	170,000	14.93	\$19,875

- (1) All such options vest on January 14, 1987 and are subject to stock appreciation rights. Such stock appreciation rights provide that as an alternate to the exercise of the option, the optionee can receive the excess of the market price of the stock over the option price in stock or cash subject to certain timing limitations and the approval of the Audit and Compensation Committee in the event of an exercise for cash.
- (2) "Net Value Realized with Respect to Options Exercised During 1986" is calculated as the difference of the market value less the exercise price of the shares purchased on the date of exercise.

The number of shares under option not vested for persons named in the Cash Compensation Table are as follows: Henry Gluck — 150,000 shares; J. Terrence Lanni — 62,500 shares; Philip L. Ball — 5,000 shares; Roger Lee — 15,000 shares and M. Peter Schweitzer — 6,250 shares. All such unvested shares may become fully vested under the terms of the options in the event of a change of control which is defined as the acquisition of at least 20% of the common stock of the Company or a change in the majority of the Board pursuant to an election contest, a merger if the Company does not survive, or a sale of substantially all of the Company's assets.

Under the 1983 Long-Term Incentive Program, the Company has granted limited stock appreciation rights to certain of its officers in tandem with existing stock options such officers presently hold (including options under the 1978 Plan described below). All such limited rights are exercisable in the event of the commencement of an offer for at least 20% of the Company's common stock and the exercise of such rights is in the alternative to the exercise of the stock options. Upon exercise, the holder is entitled to receive the excess over the option price of the highest price paid in any such tender or exchange offer during the tender offer period. In such case, assuming full exercise, the amounts payable in lieu of unvested options under both the 1983 Long-Term Stock Incentive Program and the 1978 Stock Option Plan for persons listed in the Cash Compensation Table based on the unrealized value for unvested shares as of September 2, 1986 would be as follows: Henry Gluck — \$331,000; J. Terrence Lanni — \$97,209; Philip L. Ball — \$58,700; Roger Lee — \$68,400 and M. Peter Schweitzer — \$41,375.

Stock Options Under Company's 1978 Stock Option Plan

The 1978 Stock Option Plan provided for the grant of options to certain key personnel of the Company and its subsidiaries. The plan initially was administered by the Board of Directors of the Company and all grants were to be made by that body. During fiscal 1984, the Board delegated these powers to the Audit and Compensation Committee of the Company. Options were granted from time to time to eligible persons based on Board determination. Effective December 15, 1983, upon approval of the 1983 Long-Term Stock Incentive Program, the 1978 Stock Option Plan was closed for future issuances of stock options and has continued only for administrative purposes.

During the year, stock options or stock appreciation rights in tandem with options were exercised during fiscal year 1986 under the Company's 1978 Stock Option Plan with regard to persons named in the Cash Compensation Table by only Mr. Lanni as to 50,000 shares with a net value of shares or cash realized upon exercise of \$515,264. As to executive officers as a group, there were exercises of shares as to options covering 69,500 shares with net value of shares realized upon such exercise of \$648,169. The number of shares under option not vested for persons named in the Cash Compensation Table are as follows: J. Terrence Lanni — 1,740 and Philip L. Ball — 5,000 shares. All such unvested shares may become fully vested under the terms of the options in the event of a termination of employment within two years following a change of control which is defined as the acquisition of at least 20% of the common stock of the Company or a change in the majority of the Board pursuant to an election contest.

Mr. Gluck has stock appreciation rights in tandem as to options under such plan as to 100,000 shares. Such options are fully exercisable at a price of \$8.25 and the related rights are exercisable for the excess of market price over option price in stock or cash instead of exercising the option. Any exercise for cash is subject to certain timing limitations and the approval of the Audit and Compensation Committee of the Board of Directors.

Other Compensation Plans, Change of Control Arrangements and Termination Arrangements

The Company has entered into a renewable five year employment agreement with Mr. Gluck and a renewable three year employment agreement with Mr. Lanni, providing among other things for employment at current annual base salaries at not less than \$480,000 for Mr. Gluck and \$360,000 for Mr. Lanni, subject

to annual cost of living increases equivalent to two-thirds of the increase in the consumer price index during the life of the contract. Both employment agreements automatically extend on a daily basis so that the outstanding term is always five years or three years, as the case may be, subject to the continuing option by the Company to terminate the automatic extension provision at any time. In the event of a wrongful termination by the Company which includes a breach by the Company of any of its obligations under the agreements, either Mr. Gluck or Mr. Lanni shall have the option of terminating his respective agreement and obtaining benefits equal to at least the present value at that time (using a rate based on five year treasury notes) of unpaid salary and incentive compensation for the then remaining term and shall continue to receive all other benefits for the remaining term. Unless Mr. Gluck or Mr. Lanni agrees to a 10% reduction in such payment, such person would have a mitigation obligation to the extent such obligation is provided under California law. If the wrongful termination by the Company follows a "Change of Control" (as defined in the employment agreements), there is neither a reduction to present value nor a mitigation obligation and furthermore additional payments would be due to compensate Mr. Gluck or Mr. Lanni for any tax penalty (as described below) for such payment. The agreements also provide for incentive compensation for their term based on the Incentive Compensation Plan provisions described in this Proxy Statement at Compensation of Directors and Executive Officers — Incentive Compensation Plan. The agreements further provide for the extension of the Executive Security Plan provisions (described in this Proxy Statement at Compensation of Directors and Executive Officers — Executive Security Plan) to bonus amounts earned beginning August 1, 1985. Such provisions have been taken into account in the table in the Executive Security Plan section of this Proxy Statement referenced above. The agreements further provide for indemnity by the Company in the case of claims related to such person's employment to the maximum extent allowed under the Florida General Corporation Act. The agreements cancel prior severance agreements and employment agreements for both Mr. Gluck and Mr. Lanni. In the event of a Change of Control, Mr. Gluck and Mr. Lanni each have the option of terminating his respective agreement and collecting the same payment applicable in the event of a wrongful termination as described above subject to the limitation of 2.99 times the base amount established by the Deficit Reduction Act of 1984 applicable to therein defined "parachute payment." Under these provisions, payments in excess of the safe harbor could expose all or a substantial part of any payment to a 20% penalty and cost the Company its tax deduction.

In addition, the Company has agreements with most of its other executive officers (and Mr. Yellen) which provide that if (i) anyone acquires more than 20% of the Company's stock and people designated by that person or group are elected to at least one-third of the positions on the Board of Directors or someone designated by that person or group becomes the chief executive officer or chief operating officer of the Company (defined as a Change of Control), and (ii) within two years after the change in control the executive officer is discharged, other than for cause, or resigns because of several stated reasons including, but not limited to, a reduction in compensation or responsibilities or because the Company's principal offices are moved out of Los Angeles County, California, the executive officer will be entitled to receive a lump sum payment equivalent to the amount of salary that the covered person would have received (without considering reductions after the change of control) during a period ending upon the later of two years after the Change of Control or one year after the termination of such person's employment and the incentive compensation that would have been earned in the same period computed by prorating the incentive compensation amount actually payable for the full fiscal year preceding the year in which the Change of Control takes place. Benefits will also continue during such period. The Change of Control agreements also provide for pension benefits to be computed assuming that the termination of employment occurred at the end of the two year/one year period described above and that the five year vesting period is not applicable.

Assuming that a Change of Control as defined in the above-described agreements were to occur on November 30, 1986 and all officers of the Company are immediately discharged, the amount distributable in

lieu of salary and incentive compensation to persons named in the Cash Compensation Table under the above-described agreements or as to Messrs. Gluck and Lanni under their employment agreements, in the event of an election to terminate such agreements, is estimated to be as follows: Henry Gluck — \$2,004,505; J. Terrence Lanni — \$1,559,273; Philip L. Ball — \$528,268; Roger Lee — \$528,268 and M. Peter Schweitzer — \$380,000.

Mr. Yellen received \$66,667 during the last fiscal year for consulting services to the Company and is currently employed as consultant at the rate of \$2,083 per month.

The Company's 86.6% owned subsidiary CNJ has a stock option plan which it adopted on October 22, 1979 and which was approved by the shareholders of CNJ at its annual meeting held on June 16, 1980. This plan is named the Caesars New Jersey, Inc. 1979 Stock Option Plan. All directors, officers, employees and salaried personnel of the Company, CNJ or any of CNJ's subsidiaries are eligible for participation in the Plan. No options under this Plan have been granted to any current director or executive officer of the Company or CNJ. Two employees were previously granted options for 5,458 shares at an average per share exercise price of \$8.69. As of September 30, 1986 such employees had exercised options for 3,724 shares and one had terminated employment resulting in the termination of such person's options as to 724 shares. This Plan expires on October 22, 1989.

The Company has adopted a Stock Bonus Plan and a Deferred Compensation Plan. Each of these Plans is to be administered by the Audit and Compensation Committee of the Board. Under the Stock Bonus Plan, awards of shares of common stock of the Company may be made in the discretion of the Committee to key employees which contribute in a substantial degree to the success of the Company. The Committee has the discretion to determine the terms of any such award. Under the Deferred Compensation Plan, subject to the approval of the Committee, key employees may defer compensation under agreement with the Company and have the deferred compensation measured by the value of the Company's stock or by an interest bearing account. Both plans use of stock for this purpose is pursuant to the authority of the 1983 Long-Term Stock Incentive Program approved by the shareholders and any shares so used would reduce the amount made available for other awards under this Plan. During the year, a deferral was approved under the Deferred Compensation Plan as to Mr. Ball as to all salary accruing after July 23, 1986 and through December 24, 1986 which will aggregate \$75,462. As to one other officer not named in the Cash Compensation Table, a deferral was approved under the Plan for all salary accruing between October 29, 1986 and December 24, 1986 which shall amount to \$15,385. All such deferrals are until January 2, 1988 and will bear interest at the prime rate.

During the fiscal year ended July 31, 1986 there were awards of restricted stock under the Stock Bonus Plan as follows: Henry Gluck — 50,000 shares; J. Terrence Lanni — 27,500 shares; Philip L. Ball — 17,500 shares and Roger Lee — 17,500 shares. One other senior executive not named in the Cash Compensation Table received restricted stock in the amount of 5,000 shares.

Under the terms of such grants the shares will be forfeited if the employee leaves the employ of the Company prior to January 1, 1990, except that in the event of death or disability there is a pro-rata vesting. As to Messrs. Gluck and Lanni, the grants vest on each January 1 at the rate of 25% per year beginning January 1, 1987. In the event of an actual or constructive termination following a Change of Control (as defined in the Plan) other than for cause, there will be a full vesting of all such shares under the Plan subject to certain conditions intended to limit negative tax effects with respect to the employee and the Company. If there had been a Change of Control as of September 2, 1986, the maximum value of shares which would have then vested on such date for persons named in the Cash Compensation Table using stock prices as of September 2, 1986 would be as follows: Henry Gluck — \$912,500, J. Terrence Lanni — \$501,875; Philip L. Ball — \$319,375 and Roger Lee — \$319,375.

PROPOSED AMENDMENTS TO RESTATED ARTICLES OF INCORPORATION

The Board of Directors of the Company has approved, and recommends that the shareholders approve, amendments to the Company's Restated Articles of Incorporation to (a) eliminate references to specific types of businesses in which the Company may engage and (b) insert in the Articles of Incorporation provisions regarding shareholders who are found by governmental authorities to be not licensable, suitable or qualified to be shareholders of the Company, or who are required to apply for licensing or to be found suitable or qualified, but fail to do that. Copies of the proposed amendments are attached as Exhibit I and II to this Proxy Statement. Attached as Exhibit III for information purposes is a copy of the present Restated Articles of Incorporation before reflecting the proposed amendments.

Proposal to Eliminate References to Specific Business

Currently the Company's Articles of Incorporation permit the Company (a) to operate a restaurant business and sell wine and beer to the public, (b) to acquire, hold and deal with real or personal property, securities and other types of assets, (c) to do all things necessary in connection with the first two objects, and (d) to do all things that corporations for profit are allowed to do under the Florida Statutes. These purposes were included in the Company's original Articles of Incorporation, which were filed in 1958, when the Company was formed to operate what then was a small group of restaurants. The Company is now a holding company with subsidiaries which are engaged primarily in the hotel/casino and resort businesses and in a variety of related activities. While these activities are all authorized by the Company's Articles of Incorporation, only the fourth purpose — to do all things that a corporation for profit is allowed to do under the Florida Statutes — is necessary to permit the Company to engage in business. Accordingly it is proposed that the Company's Restated Articles of Incorporation be amended to eliminate the first three purpose clauses. Also, it is proposed that the language of the fourth purpose clause be changed to make it conform more closely to the current Florida General Corporation Act, which governs the Company. The proposed amendment is attached as Exhibit I to this Proxy Statement. The amendment will not affect the nature of the activities in which the Company can engage.

Proposed Amendments Regarding Shareholders Who Are Found Not To Be Suitable Or Are Required to Apply For Licensing Or to Be Found Suitable Or Qualified, But Fail To Do That

The Board of Directors recommends that the shareholders approve the insertion in Article III of the Company's Restated Articles of Incorporation of a new Section 12 which would (a) provide that while any shareholder (a "Non-Authorized Shareholder") who is found by a governmental authority to be unlicensable, unsuitable or disqualified to be a shareholder of the Company, or who is required by a governmental authority to apply for licensing or to be found suitable or qualified, but fails to do that, holds stock of the Company, that Non-Authorized Shareholder will not be entitled to receive dividends with regard to the stock, to vote the stock or to exercise any other rights of a holder of the stock, and the Non-Authorized Shareholder's stock will not be counted in determining the number of outstanding shares entitled to vote, (b) require any Non-Authorized Shareholder to dispose of all that shareholder's stock of the Company within 30 days after notice from the Company of the determination made by the governmental authority, and (c) give the Company the option, beginning 30 days after the Company notifies a Non-Authorized Shareholder of the determination made by the governmental authority, to redeem any stock held by the Non-Authorized Shareholder at any time for the lesser of (i) the fair market value of the Company's stock of the class held by the Non-Authorized Shareholder on the day the Company notifies the Non-Authorized Shareholder of the action taken by the governmental authority or (ii) the fair market value of the Company's stock of that class on the day the notice of redemption is given. For the purposes of that provision, the fair market value of stock of a class on a day is the last sale price of stock of that class in the principal market on which stock of that class is traded (whether a stock exchange, an automated quotation system or another organized

trading market), or, if stock of the class is not traded on an organized trading market, the fair market value will be that determined in good faith by the Board of Directors of the Company, based upon an evaluation by an investment banking firm or other experts in valuing securities. Section 12 would specifically authorize the Company to obtain injunctive relief to enforce its provisions, and provide that every shareholder by acquiring or retaining stock of the Company acknowledges that the Company might suffer irreparable injury if Section 12 were violated for which the Company would not have an adequate remedy at law and that the Company would be entitled to injunctive relief to enforce Section 12. Notwithstanding this provision, the Company's ultimate right to injunctive relief would rest in the discretion of the court in which the relief is sought. This proposed amendment is attached as Exhibit II to this Proxy Statement.

The most significant activities of the Company and its subsidiaries are the operation of hotel-casinos in Nevada and New Jersey. Both those states have strict laws regarding ownership of stock of companies, such as the Company, which control holders of gaming licenses. Although the proposed Section 12 of Article III would apply to determinations by any governmental authorities, it is intended particularly to help the Company comply with requirements of gaming authorities in Nevada and New Jersey.

The Nevada gaming laws require any person who acquires 5% or more of any class of the Company's voting securities to report the acquisition to the Nevada Gaming Commission, and any person who becomes a beneficial owner of 10% or more of any class of the Company's voting securities to apply for a finding of suitability by the Nevada Gaming Commission. The Nevada Gaming Commission and the Clark County Liquor and Gaming Licensing Board may also require other shareholders to be found suitable. If an owner of the Company's securities is found unsuitable by the Nevada Gaming Commission, it becomes unlawful for the security owner to (a) receive interest or dividends with regard to the securities, (b) directly or indirectly exercise any voting right of the securities, (c) receive remuneration in any form from the Company, or (d) hold directly or indirectly the beneficial ownership of any voting securities of the Company. Nevada law requires a person found unsuitable to offer his securities to the Company, and the Company to purchase them within ten days, for cash at their fair market value. The Company must use its best efforts to terminate all its relationships with a person found to be unsuitable. The same provisions which relate to shareholders found to be unsuitable apply to (i) a beneficial owner of the Company's securities if the record owner, after request, fails to identify the beneficial owner, and (ii) any owner of the Company's securities who refuses to apply for licensing or a finding of suitability after the Nevada Gaming Commission determines that such an application is required.

Under the New Jersey Casino Control Act, any 5% shareholder of the Company will have to be found qualified unless there is an express finding by the New Jersey Casino Control Commission with the consent of the Director of the Division of Gaming Enforcement that the shareholder does not have the power to exercise control. The Casino Control Commission can find any security holder of the Company (including a holder of less than 5% of the Company's stock) not qualified to own securities issued by the Company. If a security holder of the Company is found not qualified, it will be unlawful for the security holder to (i) receive any dividends or interest with regard to any securities of the Company or (ii) exercise, directly or indirectly, any rights conferred by the securities. The New Jersey Casino Control Act requires that the By-Laws or the Articles of Incorporation of a company, such as the Company, which controls a gaming license provide that securities of that company are held subject to the condition that if a holder is found to be disqualified by the Casino Control Commission, the holder must dispose of his securities of the company. If a security holder of the Company is found disqualified but does not dispose of his securities, the Company's New Jersey gaming subsidiary could be subjected to fines, or its license could be suspended or revoked.

Since 1979 the Company's By-Laws have provided that any and all securities of the Company are held subject to the condition that if a holder is found to be disqualified by the New Jersey Casino Control Commission pursuant to the provisions of the New Jersey Casino Control Act, then such holder shall be

required to dispose of his interest in the Company's securities within the time period designated by the Commission. Each certificate representing the Company's common stock which has been issued since July 1, 1985 has borne a legend regarding this By-Law provision. While the By-Law provision complies with the requirements of the New Jersey Casino Control Act, the Company believes it will be preferable from a legal standpoint and possibly more clearly enforceable to have the provisions relating to Non-Authorized Shareholders appear in the Amended and Restated Articles of Incorporation which will be publicly available in the files of the Department of State of Florida relating to corporations incorporated in that state. Also, the proposed Section 12 would add protections which do not appear in the By-Law provision (namely, the provisions making Non-Authorized Shareholders not able to receive dividends, vote or enjoy any rights with regard to their stock of the Company, giving the Company the right to redeem their stock, and specifically authorizing the Company to obtain injunctive relief).

The By-Laws also require Corporate Security and regulatory clearance and qualification for any director candidate and restrict persons associated with competitors from being on the Board of Directors.

The Company has twice faced problems with gaming regulators in New Jersey because of its possible inability to compel shareholders who are found disqualified, or do not apply to be found qualified, to dispose of their securities of the Company. The first of these involved the initial grant of a license to the Company's New Jersey gaming subsidiary, which was conditioned upon the Company's two largest shareholders severing all their relationships with the Company. In order to comply with this condition, the Company eventually purchased the stock of those shareholders for a premium above the then market value of the stock. The second instance involved an investor who accumulated more than 5% of the Company's stock, but initially refused to apply to be found to be qualified. That investor subsequently did apply to be found qualified and was found to be qualified. The Company believes the proposed amendments to the Company's Restated Articles of Incorporation will substantially enhance the Company's ability to protect itself against problems with Nevada and New Jersey gaming regulators should significant quantities of the Company's stock be accumulated by holders who are found not suitable or disqualified to hold the Company's stock or who refuse to apply to be found suitable or qualified.

The proposed new Section of the Restated Articles of Incorporation could discourage someone who might want to solicit tenders of, or otherwise acquire, a substantial portion of the Company's stock from doing so, and therefore might deprive shareholders of an opportunity to sell their stock at a premium above the market price of the stock. However, the Company's Board of Directors believes the potential harm to the Company and its shareholders from having a significant amount of its stock held by a person who is found not licenseable, suitable or qualified to be a shareholder of the Company, or who refuses to file a required application to be licensed or found suitable or qualified, is substantially more significant than the possibility that the proposed new Section would deter someone from seeking to acquire a large portion of the Company's stock. Indeed, the potential injury to the Company if a significant shareholder failed to comply with the requirements of the Nevada and New Jersey gaming laws should be a far more important deterrent to a person who has reason to believe he or she is not licenseable, suitable or qualified to be a shareholder of the Company than would the proposed new Section of the Company's Restated Articles of Incorporation.

The indenture under which the Company issued \$115,000,000 principal amount of its 6 $\frac{3}{4}$ % Convertible Subordinated Debentures due 2006 also has provisions which may deter mergers, tender offers or other takeover attempts. That indenture provides that, unless waived by a majority of the "Continuing Directors" of the Company (*i.e.*, Directors who (i) were Directors on April 1, 1986, (ii) have been Directors for at least two years, or (iii) were nominated or elected with the affirmative vote of a majority of the Continuing Directors of the Board, and at least three Continuing Directors), a holder of Debentures cannot convert them into common stock to the extent the shares issuable on the conversion, together with the shares already owned by the Debenture holder and all other persons who constitute a group with the Debenture holder,

would exceed 25% of the outstanding common stock. The indenture relating to the Debentures also provides that if there is a Change of Control of the Company, then during the 35-day period beginning on the date the Company gives notice of the Change of Control (which notice must be given within 20 days after the Change of Control) the Debenture holders may submit their Debentures for, at the Company's option, redemption at a price equal to 100% of the principal amount of the Debentures plus accrued interest to the redemption date, or conversion at 85% of the conversion price then in effect, subject to the limitation that a Debenture holder may not convert Debentures to the extent the conversion will increase the holdings of the Debenture holder and any group of which the Debenture holder is a member to more than 25% of the Company's outstanding common stock. A "Change of Control" is defined as (a) the time the Company first determines that a person and all of the persons who constitute a group with that person have acquired beneficial ownership of 30% or more of the Company's outstanding common stock, unless a majority of the Continuing Directors approves the acquisition not later than ten days after the Company makes the determination, or (b) a change in the Board of Directors which results in a majority of the Directors not being Continuing Directors. Since a Change of Control can be expected to occur in connection with certain forms of takeover attempts, these provisions may, to the extent that the submitted Debentures are redeemed for cash, deter takeovers in which the person attempting the takeover views itself as unable to finance redemption of the principal amount of Debentures which may be submitted to the Company for redemption upon the occurrence of a Change of Control. However, it is unlikely that, if there were a Change of Control and the Company elected to permit Debenture holders to submit Debentures for redemption at a price equal to 100% of their principal amount plus accrued interest, many Debentures would be submitted for redemption if the market price of the Company's common stock were greater than the conversion price of the Debentures or if the Debentures had a market price greater than their principal amount. If, following a Change of Control, the Company elected to permit Debenture holders to convert their Debentures at 85% of the conversion price then in effect, to the extent Debenture holders elect to submit their Debentures for conversion at this reduced conversion price, the Company might be a less attractive acquisition candidate because the cost of the acquisition to the acquirer might be increased.

Required Vote

Each of the amendments to the Restated Articles of Incorporation (*i.e.*, the amendment relating to the purposes of the Corporation and the amendment adding a new Section 12 to Article III) will be voted upon separately. Each of those amendments will be adopted only if it receives the affirmative vote of holders of a majority of the outstanding common stock of the Company entitled to vote at the meeting. The Board of Directors recommends that the shareholders vote in favor of both of the amendments.

SHAREHOLDER PROPOSAL TO RECOMMEND RESTRICTION OF CERTAIN BOARD ACTIONS

Shareholder Submission

Mr. Martin Sosnoff, the owner of 4,110,675 shares of the Company's common stock as of September 3, 1986 and whose address is 499 Park Avenue, New York, New York 10022 submitted the following resolution for action at the Annual Meeting:

"RESOLVED that the shareholders of the Company recommend that the Board of Directors refrain (i) from taking any action, or proposing any shareholder action, including the adoption of 'antitakeover' charter amendments or the authorization or the issuance of securities with 'poison pill' characteristics, that is specifically designed to discourage any person or entity from seeking or offering to acquire 20% or more of the outstanding shares of the Common Stock, or to interfere with the right of shareholders to nominate Directors and solicit proxies for their election or (ii) from exercising any powers now vested in the Board by virtue of the Company's charter or by-laws or the terms of any

outstanding securities in a manner that is specifically intended to accomplish any of the foregoing objectives; provided, that this recommendation shall not preclude charter provisions intended to comply with restrictions on stock ownership under applicable gaming laws if such provisions are drawn as narrowly as is possible in light of their objective."

The statement made by Mr. Sosnoff in support of the resolution is as follows:

"I believe that corporate actions which make the Company less attractive to persons wishing to purchase a substantial number of its shares at a premium, or which limit the ability of shareholders to nominate and solicit proxies for the election of directors of their choice, work to the detriment of the shareholders by depressing the market price of the Company's shares. In considering whether to take such actions, the Directors must act solely in the interests of the Company and its shareholders, and must not permit self-interest to color their judgment.

In the prospectus offering its 6 $\frac{1}{2}$ % Convertible Subordinated Debentures in March of this year, the Company stated that certain features of the Debentures may deter certain mergers, tender offers or other takeover attempts and may thereby adversely affect the market price of the Common Stock. As the largest shareholder of the Company, with an investment valued at over \$75 million, I am concerned about the effect of these provisions on the value of my investment, and I believe all the shareholders should share my concern.

This resolution will communicate to the Board that the shareholders oppose actions which discourage the acquisition of a substantial portion of the Company's shares or interfere with the nomination of directors and the solicitation of proxies therefor. I believe the adoption of this resolution promotes the interests of all the shareholders."

Board Position with Respect to Above Shareholder Proposal

Your Board takes no position regarding this proposal since even if adopted it should not, under Florida corporation law, have any effect whatsoever upon the judgment of the directors with respect to the subject matter of the proposal. Accordingly, the Board believes that the proposal is therefore of no consequence and the Board is not urging shareholders to vote for or against it. Your Board takes this position for the following reasons:

The shareholder proposal recommends that the Board not take any action designed to discourage certain offers to acquire 20% or more of the Corporation's common stock. This recommendation, if followed, could prevent the Board from opposing an offer to acquire the Corporation's common stock that the Board regarded as financially inadequate, opposing an offer in order to elicit a higher bid from the offeror or another offeror, taking steps to give the Board sufficient time to evaluate or negotiate the terms of an acquisition, if appropriate, and investigate the compatibility of the offering company with the Corporation or taking other actions to maximize value to shareholders or to resist offers which the Board regarded as being unlawful or otherwise not in the best interests of the Corporation or its shareholders.

Pursuant to Florida law and the By-laws of the Company, the business of the Company is managed by the Board of Directors. In exercising their management duties, the directors of a corporation are required by Florida law to act in good faith in a manner that the directors themselves reasonably believe to be in the best interests of such Corporation, and with such care as an ordinarily prudent person in a like position would use under similar circumstances. In evaluating any offer to purchase the corporation's stock, they must act in good faith and in accordance with their own informed business judgment. Your Board cannot waive or relinquish these fiduciary responsibilities which are imposed upon them by law, and to the extent that the proposed recommendation would cause the Board to do so, it is of no effect and is invalid under state law. Accordingly, with or without the proposed recommendation, your Board would evaluate any proposed

acquisition of stock of the Company to determine if it is in the best interests of the Company and its shareholders and would not take any action to oppose any such acquisition it determined was in the Company's and the shareholders' best interest.

Moreover, the proposal if adopted and followed could have a detrimental effect of inhibiting the prompt and decisive action necessary to adequately protect the Company's and its shareholders' interests if the Board, when faced with a proposed acquisition, should try to reconcile any conflict between the proposal's recommendation and its own business judgment.

Mr. Sosnoff indicated that the statement in the Prospectus offering the 6 $\frac{1}{8}$ % Convertible Subordinated Debentures in March of 1986 concerned him as a shareholder. Notwithstanding such concern, Mr. Sosnoff proceeded to acquire 1,036,400 shares of common stock of the Company and \$5 million of such debentures through September 30, 1986 and after he became aware of the terms of such debentures and these provisions which allegedly concerned him.

In conclusion, your Board believes that the proposal even if adopted, would have no effect upon the Board who are precluded under relevant state law from substituting such recommendation for their own best judgment under the circumstances and would, in light of the Board's duty to act in the best interests of the Corporation and its shareholders, be redundant.

Therefore your Board makes no recommendation to shareholders on how they should vote on the proposal.

Required Vote

A majority of the shares voting on the proposition are required for approval of the proposition.

INDEPENDENT ACCOUNTANTS

Arthur Andersen & Co. ("Arthur Andersen") audited the accounts of the Company for the fiscal year ended July 31, 1986.

Representatives of Arthur Andersen are expected to be present at the stockholders' meeting. They will be given an opportunity to make a statement if they desire to do so and are expected to be available to answer questions.

STOCKHOLDER PROPOSALS AND DIRECTOR NOMINATIONS

Stockholder proposals intended to be presented at the next Annual Meeting must be received by June 25, 1987. Proposals should be addressed to the Secretary of Caesars World, Inc., 1801 Century Park East, Los Angeles, California 90067 and should be sent Certified Mail — Return Receipt Requested. In order for a person to be eligible to be elected as a director, such person's candidacy must have been notified to the Board of Directors at least seventy-five days before October 15, 1987. Any such notification shall be effective only if it contains all the information required under Schedule 14a under the Securities Act of 1934.

OTHER MATTERS

The management knows of no matters other than those described above which will be presented for action at the meeting. If any other matters properly come before the meeting, or any adjournments, the people voting the management proxies will vote them in accordance with their best judgment.

By order of the Board of Directors

PHILIP L. BALL
Secretary