

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)
☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File No. 1-10410

CAESARS ENTERTAINMENT CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)
One Caesars Palace Drive, Las Vegas, Nevada
(Address of principal executive offices)

62-1411755
(I.R.S. Employer Identification No.)
89109
(Zip code)

Registrant's telephone number, including area code:
(702) 407-6000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common stock, \$0.01 par value	NASDAQ Global Select Market

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
(Do not check if a smaller reporting company)			

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of common stock held by non-affiliates of the registrant as of June 30, 2011 was \$468.8 million.

As of March 9, 2012, the registrant had 125,297,197 shares of Common Stock outstanding.

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We have proprietary rights to a number of trademarks used in this Form 10-K that are important to our business, including, without limitation, Caesars Entertainment, Caesars Palace, Harrah’s, Total Rewards, World Series of Poker, Horseshoe, Paris Las Vegas, Flamingo Las Vegas, and Bally’s Las Vegas. We have omitted the ® and ™ trademark designations for such trademarks named in this Form 10-K.

PART I

ITEM 1. Business

Overview

Caesars Entertainment Corporation (referred to in this discussion, together with its consolidated subsidiaries where appropriate, as “Caesars,” “Caesars Entertainment,” the “Company,” “we,” “our” and “us”), a Delaware corporation, is the world’s most diversified casino-entertainment provider and the most geographically diverse U.S. casino-entertainment company. Our business is primarily conducted through a wholly-owned subsidiary, Caesars Entertainment Operating Company, Inc. (“CEOC”) although certain material properties are not owned by CEOC. As of December 31, 2011, we owned, operated, or managed, through various subsidiaries, 52 casinos in 12 U.S. states and seven countries. The majority of these casinos operate in the United States and England. Our casino entertainment facilities operate primarily under the Harrah’s, Caesars, and Horseshoe brand names in the United States. Our casino entertainment facilities include 33 land-based casinos, 12 riverboat or dockside casinos, three managed casinos on Indian lands in the United States, one managed casino in Canada, one casino combined with a greyhound racetrack, one casino combined with a thoroughbred racetrack, and one casino combined with a harness racetrack. Our land-based casinos include one in Uruguay, nine in England, one in Scotland, two in Egypt, and one in South Africa. As of December 31, 2011, our facilities had an aggregate of approximately three million square feet of gaming space and approximately 43,000 hotel rooms. Our industry-leading customer loyalty program, Total Rewards, has over 40 million members. We use the Total Rewards system to market promotions and to generate customer play across our network of properties. In addition, we own an online gaming business, providing for real money casino, bingo, and poker games in the United Kingdom, alliances with online gaming providers in Italy and France, “play for fun” offerings in other jurisdictions, social games on Facebook and other social media websites, and mobile application platforms. We also own and operate the World Series of Poker tournament and brand.

We were incorporated on November 2, 1989 in Delaware and operated under predecessor companies prior to such date. Our principal executive offices are located at One Caesars Palace Drive, Las Vegas, Nevada 89109, telephone (702) 407-6000.

On January 28, 2008, Caesars was acquired by affiliates of Apollo Global Management, LLC (“Apollo”) and affiliates of TPG Capital, LP (together with such affiliates, “TPG” and, together with Apollo, the “Sponsors”) in an all-cash transaction, hereinafter referred to as the “Acquisition,” valued at approximately \$30.7 billion, including the assumption of \$12.4 billion of debt, and the incurrence of approximately \$1.0 billion of acquisition costs. Subsequent to the Acquisition, our stock was no longer publicly traded.

Effective February 8, 2012, as the result of our public offering, our common stock trades on the NASDAQ Global Select Market under the symbol “CZR.” In connection with the public offering, the Company effected a 1.742-for-one split of its common stock. Unless otherwise stated, all applicable share and per-share data presented herein have been retroactively adjusted to give effect to this stock split.

Description of Business

We have established a rich history of industry-leading growth and expansion since we commenced casino operations in 1937. We own or manage casino entertainment facilities in more areas throughout the United States than any other participant in the casino industry. In addition to casinos, our facilities typically include hotel and convention space, restaurants, and non-gaming entertainment facilities. The descriptions below are as of December 31, 2011, except where otherwise noted.

In southern Nevada, Harrah’s Las Vegas, Rio All-Suite Hotel & Casino, Caesars Palace, Bally’s Las Vegas, Flamingo Las Vegas, Paris Las Vegas, Planet Hollywood Resort and Casino, Imperial Palace Hotel & Casino, Bill’s Gamblin’ Hall & Saloon, and Hot Spot Oasis are located in Las Vegas and draw customers from throughout the United States. Harrah’s Laughlin is located near both the Arizona and California borders and draws customers primarily from the southern California and Phoenix metropolitan areas and, to a lesser extent, from throughout the U.S. via charter aircraft.

In northern Nevada, Harrah’s Lake Tahoe and Harveys Resort & Casino are located near Lake Tahoe and Harrah’s Reno is located in downtown Reno. These facilities draw customers primarily from northern California, the Pacific Northwest, and Canada.

Our Atlantic City casinos, Harrah’s Resort Atlantic City, Showboat Atlantic City, Caesars Atlantic City, and Bally’s Atlantic City, draw customers primarily from the Philadelphia metropolitan area, New York, and New Jersey.

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Harrah's Chester is a combination harness racetrack and casino located approximately six miles south of Philadelphia International Airport and draws customers primarily from the Philadelphia metropolitan area and Delaware. At December 31, 2011, we had a 95% ownership interest in and manage this property. In February 2012, we purchased an additional 4.5% interest, bringing our total ownership interest in this property to 99.5%.

Our Chicagoland dockside casinos, Harrah's Joliet in Joliet, Illinois, and Horseshoe Hammond in Hammond, Indiana, draw customers primarily from the greater Chicago metropolitan area. In southern Indiana, we own Horseshoe Southern Indiana, a dockside casino complex located in Elizabeth, Indiana, which draws customers primarily from northern Kentucky, including the Louisville metropolitan area, and southern Indiana, including Indianapolis.

In Louisiana, we own Harrah's New Orleans, a land-based casino located in downtown New Orleans, which attracts customers primarily from the New Orleans metropolitan area. In northwest Louisiana, Horseshoe Bossier City, a dockside casino, and Harrah's Louisiana Downs, a thoroughbred racetrack with slot machines, both located in Bossier City, cater to customers in northwestern Louisiana and east Texas, including the Dallas/Fort Worth metropolitan area.

On the Mississippi gulf coast, we own the Grand Casino Biloxi, located in Biloxi, Mississippi, which caters to customers in southern Mississippi, southern Alabama, and northern Florida.

Harrah's North Kansas City and Harrah's St. Louis, both dockside casinos, draw customers from the Kansas City and St. Louis metropolitan areas, respectively. Harrah's Metropolis is a dockside casino located in Metropolis, Illinois, on the Ohio River, drawing customers from southern Illinois, western Kentucky, and central Tennessee.

Horseshoe Tunica, Harrah's Tunica, and Tunica Roadhouse Hotel & Casino, dockside casino complexes located in Tunica, Mississippi, are approximately 30 miles from Memphis, Tennessee and draw customers primarily from the Memphis area and, to a lesser extent, from throughout the U.S. via charter aircraft.

Horseshoe Casino and Bluffs Run Greyhound Park, a land-based casino and pari-mutuel facility, and Harrah's Council Bluffs Casino & Hotel, a dockside casino facility, are located in Council Bluffs, Iowa, across the Missouri River from Omaha, Nebraska. At Horseshoe Casino and Bluffs Run Greyhound Park, we own the assets other than gaming equipment, and lease these assets to the Iowa West Racing Association, or IWRA, a nonprofit corporation, and we manage the facility for the IWRA under a management agreement expiring in October 2024. Iowa law requires that a qualified nonprofit corporation hold Bluffs Run's gaming and pari-mutuel licenses and own its gaming equipment. The license to operate Harrah's Council Bluffs Casino & Hotel is held jointly with IWRA, the qualified sponsoring organization. The Sponsorship and Operations Agreement between IWRA and us terminates on December 31, 2015, subject to our option to extend the term of the agreement for five succeeding three year terms, provided we are not in default.

Caesars Windsor, located in Windsor, Ontario, draws customers primarily from the Detroit metropolitan area. We have a 50% ownership interest in a company that manages Caesars Windsor. The Conrad Resort & Casino located in Punta Del Este, Uruguay, draws customers primarily from Argentina and Uruguay.

We own four casinos in London: the Sportsman, the Golden Nugget, The Playboy Club London (formerly known as the Rendezvous), and The Casino at the Empire. Our casinos in London draw customers primarily from the London metropolitan area as well as international visitors. We also own Alea Nottingham, Alea Glasgow, Alea Leeds, Manchester235, Rendezvous Brighton, and Rendezvous Southend-on-Sea in the provinces of the United Kingdom, which primarily draw customers from their local areas. Pursuant to a concession agreement, we also operate two casinos in Cairo, Egypt, The London Club Cairo (which is located at the Ramses Hilton) and Caesars Cairo (which is located at the Four Seasons Cairo), which draw customers primarily from other countries in the Middle East. Emerald Safari, located in the province of Gauteng in South Africa, draws customers primarily from South Africa.

We also earn fees through our management of three casinos for Indian tribes:

- Harrah's Phoenix Ak-Chin, located near Phoenix, Arizona, which we manage for the Ak-Chin Indian Community under a management agreement that expires in December 2014. Harrah's Phoenix Ak-Chin draws customers from the Phoenix metropolitan area;
- Harrah's Cherokee Casino and Hotel, which we manage for the Eastern Band of Cherokee Indians on their reservation in Cherokee, North Carolina under a management contract that expires in November 2018. Harrah's Cherokee draws customers from eastern Tennessee, western North Carolina, northern Georgia and South Carolina;

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- Harrah's Rincon Casino and Resort, located near San Diego, California, which we manage for the Rincon San Luiseno Band of Mission Indians under a management agreement that expires in November 2013. Harrah's Rincon draws customers from the San Diego metropolitan area and Orange County, California; and
- We own and operate Bluegrass Downs, a harness racetrack located in Paducah, Kentucky, and we own a one-half interest in Turfway Park LLC, which is the owner of the Turfway Park thoroughbred racetrack in Boone County, Kentucky. Turfway Park LLC owns a minority interest in Kentucky Downs LLC, which is the owner of the Kentucky Downs racetrack located in Simpson County, Kentucky.

We also own and operate Thistledown Racetrack, a thoroughbred racing facility, located near Cleveland, Ohio.

In December 2010, we formed a joint venture, Rock Ohio Caesars LLC, with Rock Gaming, LLC ("Rock Gaming"), to pursue casino developments in Cincinnati and Cleveland. We have a minority investment in the venture and will manage the two casinos, Horseshoe Cleveland and Horseshoe Cincinnati, being developed by the venture, which are expected to open in May 2012 and the second quarter of 2013, respectively. As part of our investment, we agreed to contribute Thistledown Racetrack to the venture, subject to certain conditions.

In March 2011, we acquired an interest in Sterling Suffolk Racecourse, LLC, which owns a horse-racing track in Boston, Massachusetts, along with an option to purchase additional interests and the right to manage a potential future gaming facility.

In May 2011, Caesars Interactive Entertainment Israel, Ltd. ("CIEI"), a subsidiary of Caesars Interactive Entertainment, Inc., which is a majority-owned subsidiary of Caesars Entertainment, acquired 51% of the voting equity interests of Playtika Ltd. ("Playtika"), a social games developer based in Israel. In December 2011, we purchased the remaining outstanding shares of Playtika.

In September 2011, we filed an application with the State of Maryland for the license to operate a video lottery terminal ("VLT") facility in the City of Baltimore. The application was filed on behalf of a venture that includes Caesars Entertainment as the lead investor and facility manager, Rock Gaming, LLC, CVPR Gaming Holdings, LLC, and The Stronach Group.

We also operate the World Series of Poker tournaments, and we license trademarks for a variety of products and businesses related to this brand. We also offer real money online gaming in the United Kingdom under the WSOP and Caesars brands, as well as alliances with online poker providers in France and Italy. In addition, we offer online "play for fun" casino genre games to residents globally online, through Facebook and other social networks, and on iOS and Android mobile devices. Going forward, we intend to offer real money gaming in jurisdictions where it is legal.

We also own Caesars Golf Macau which operates a golf course on 175 acres of prime real estate through a land concession on the Cotai strip in Macau.

Additional information about our casino entertainment properties is set forth below in Item 2, "Properties."

Sales and Marketing

We believe that our North American distribution system of casino entertainment provides us the ability to capture a disproportionate share of our customers' entertainment wallet when they travel among markets, which is core to our cross-market strategy. In addition, we have several multi-property markets like Las Vegas, Atlantic City, and Tunica, and we have seen increased revenue from customers visiting multiple properties in the same market. We believe our industry-leading customer loyalty program, Total Rewards, in conjunction with this distribution system, allows us to capture a growing share of our customers' entertainment budget and compete more effectively.

Our Total Rewards program is structured in tiers, providing customers an incentive to consolidate their entertainment spend at our casinos. Total Rewards customers are able to earn Reward Credits at essentially all of our casino entertainment facilities located in the U.S. and Canada for on-property entertainment expenses including gaming, hotel, dining, and retail shopping. Total Rewards members can also redeem Reward Credits for on-property amenities or other off-property items such as merchandise, gift cards, and travel. Depending on their level of play with us in a calendar year, customers earn status within the Total Rewards program, designated as Gold, Platinum, Diamond, or Seven Stars customers, each with increasing sets of benefits. Separately, customers are provided promotional offers and rewards based on the ways that they choose to engage with us. These benefits encourage new customers to join Total Rewards and provide existing customers an incentive to consolidate their play at our casinos.

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We have developed a database containing information about our customers, aspects of their casino gaming play, and their preferred spending choices outside of gaming. We use this information for marketing promotions, including through direct mail campaigns, the use of electronic mail, our website, mobile devices, social media, and interactive slot machines.

Patents and Trademarks

The development of intellectual property is part of our overall business strategy, and we regard our intellectual property to be an important element of our success. While our business as a whole is not substantially dependent on any one patent or combination of several of our patents or other intellectual property, we seek to establish and maintain our proprietary rights in our business operations and technology through the use of patents, copyrights, trademarks, and trade secret laws. We file applications for and obtain patents, copyrights, and trademarks in the United States and in foreign countries where we believe filing for such protection is appropriate. We also seek to maintain our trade secrets and confidential information by nondisclosure policies and through the use of appropriate confidentiality agreements. We currently have 31 active US cases (27 issued patents, 4 pending) and 7 active foreign cases (5 issued patents, 2 pending). The U.S. cases have patent terms that variously expire between 2012 and 2030.

We have not applied for patents or the registration of all of our technology or trademarks, as the case may be, and may not be successful in obtaining the patents and trademarks for which we have applied. Despite our efforts to protect our proprietary rights, parties may infringe our patents and use information that we regard as proprietary, and our rights may be invalidated or unenforceable. The laws of some foreign countries do not protect proprietary rights to as great an extent as do the laws of the United States. In addition, others may be able independently to develop substantially equivalent intellectual property.

We hold the following trademarks used in this document: Harrah's, Caesars, Grand Biloxi, Bally's, Flamingo, Paris, Caesars Palace, Rio, Showboat, Bill's, Harveys, Total Rewards, Bluffs Run, Louisiana Downs, Reward Credits, Horseshoe, Seven Stars, Tunica Roadhouse and World Series of Poker. Trademark rights are perpetual provided that the mark remains in use by us. In addition, we hold trademark licenses for Planet Hollywood used in connection with the Planet Hollywood Resort & Casino in Las Vegas, NV, which will expire on February 19, 2045, and for Imperial Palace used in connection with the Imperial Palace Las Vegas hotel and casino, which will expire on December 23, 2012. We consider all of these marks, and the associated name recognition, to be valuable to our business.

Competition

We own, operate or manage land-based, dockside, riverboat, and Indian casino facilities in most U.S. casino entertainment jurisdictions. We also own, operate, or manage properties in Canada, the United Kingdom, South Africa, Egypt, and Uruguay. We compete with numerous casinos and casino hotels of varying quality and size in the market areas where our properties are located. We also compete with other non-gaming resorts and vacation areas, and with various other entertainment businesses. The casino entertainment business is characterized by competitors that vary considerably by their size, quality of facilities, number of operations, brand identities, marketing and growth strategies, financial strength and capabilities, level of amenities, management talent, and geographic diversity.

In most markets, we compete directly with other casino facilities operating in the immediate and surrounding market areas. In some markets, we face competition from nearby markets in addition to direct competition within our market areas.

In recent years competition in existing markets has intensified. Many casino operators, including us, have invested in expanding existing facilities, developing new facilities, and acquiring established facilities in existing markets, such as our acquisition of Caesars Entertainment, Inc. in 2005 and Planet Hollywood in 2010, our renovated and expanded facility in Hammond, Indiana, and our expansion at Caesars Palace in Las Vegas. This expansion of existing casino entertainment properties, the increase in the number of properties, and the aggressive marketing strategies of many of our competitors has increased competition in many markets in which we compete, and this intense competition can be expected to continue.

The expansion of casino entertainment into new markets presents competitive issues for us which have had a negative impact on our financial results. In particular, our businesses have been adversely impacted by the additional gaming and room capacity in Nevada, New Jersey, New York, Connecticut, Pennsylvania, Mississippi, Missouri, Maryland, Michigan, Indiana, Iowa, Kansas, Illinois, Ohio, Louisiana, Ontario, South Africa, Uruguay, United Kingdom and Egypt. In addition, our operations located in New Jersey and Nevada have been adversely impacted by the expansion of Indian gaming in New York and California, respectively.

The casino entertainment industry is also subject to political and regulatory uncertainty. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Consolidated Operating Results" and "—Regional Operating Results."

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2011 Events

Suffolk Downs

In March 2011, we acquired an interest in Sterling Suffolk Racecourse, LLC, which owns a horse-racing track in Massachusetts, along with an option to purchase additional interests and the right to manage a potential future gaming facility.

In November 2011, Massachusetts enacted a law that would allow three destination casinos and one slot parlor. Three regions were established for the casinos and the Commission is authorized to issue one casino license in each of these regions: Zone A—Suffolk/Middlesex/Essex/Worcester/Norfolk counties; Zone B—Hampshire/Hampden/Franklin/Berkshire counties; and Zone C—Bristol/Plymouth/Nantucket/Dukes/Barnstable counties. The law also allows for a single slot parlor license to be competitively bid. A gaming commission will be established under the law and establish a bid process for the gaming licenses.

Acquisition of Playtika Ltd

In May 2011, CIEI, a subsidiary of Caesars Interactive Entertainment, Inc., which is a majority-owned subsidiary of Caesars Entertainment, acquired 51% of the voting equity interests of Playtika. In December 2011, we purchased the remaining 49% of Playtika.

Baltimore, Maryland

In September 2011, we filed an application with the State of Maryland for the license to operate a video lottery terminal (“VLT”) facility in the City of Baltimore. The application was filed on behalf of a venture that includes Caesars Entertainment as the lead investor and facility manager, Rock Gaming, LLC, CVPR Gaming Holdings, LLC, and The Stronach Group.

Octavius and Linq Projects

In April 2011, the Company, together with certain indirect wholly-owned subsidiaries of CEOC (the “Borrowers”) entered into a credit agreement (the “Credit Agreement”) pursuant to which the Borrowers incurred financing to complete the development of the Octavius Tower at Caesars Palace Las Vegas and a retail, dining and entertainment corridor located between the Imperial Palace Hotel and Casino and the Flamingo Las Vegas on the Las Vegas strip (“Project Linq”). The Credit Agreement provides for a \$450.0 million senior secured term facility (the “Term Facility”) with a six-year maturity, which is secured by all material assets of the Borrowers.

Amendment to CEOC Financing

In May 2011, CEOC amended its Credit Facilities to, among other things: (i) allow CEOC to buy back loans from individual lenders at negotiated prices at any time, which may be less than par, (ii) allow CEOC to extend the maturity of term loans or revolving commitments, as applicable, and for CEOC to otherwise modify the terms of loans or revolving commitments in connection with such an extension, and (iii) modify certain other provisions of the credit facilities. CEOC also extended its Credit Facilities by (i) converting \$799.4 million of B-1, B-2 and B-3 term loans held by consenting lenders to B-5 term loans with an extended maturity date of January 28, 2018 and a higher interest rate with respect to such extended term loans (the “Extended Term Loans”) and (ii) converting \$423.3 million of revolver commitments held by consenting lenders into Extended Term Loans.

Project Renewal

In the fourth quarter of 2010, we embarked on a reorganization we refer to as “Project Renewal.” Under Project Renewal, our management team was challenged to review all of our key decision making procedures and lines of business and to identify the optimum way of structuring them given our breadth and scale of product offerings. As a result of the process, in the third quarter of 2011, we designed a unique shared services organization that will enable more efficient decision making and sharing of best practices. This organization includes business analytics, meetings and conventions, retail, database marketing, VIP marketing, our flight program, and other key areas of our operations. We anticipate that our company will have a permanently lower cost structure and will benefit from greater concentration of specified talent and quicker decision making. To ensure that the impact from Project Renewal is reflected in our financial performance and that each planned initiative is executed, we track our progress centrally and in a detailed fashion. The savings value for each initiative is calculated by predicting the change in the expense level compared to the current expense level under constant business volumes and conditions. See “Risk Factors—Risks Related to our Business—We may not realize any or all of our projected cost savings, which would have the effect of reducing our LTM Adjusted EBITDA—Pro Forma, which would have a negative effect on our results of operations and negatively impact our covenant calculation and could have a negative effect on our stock price.

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2012 Events

Chester Bond Offering

In February 2012, Chester Downs issued \$330.0 million aggregate principal amount of 9.25% senior secured notes due 2020 through a private placement. Chester Downs used \$232.4 million of the proceeds of the notes to repay its existing term loan plus accrued interest and a prepayment penalty. The remaining proceeds were used to make a distribution to Chester Downs' managing member, Harrah's Chester Downs Investment Company, LLC, a wholly-owned subsidiary of CEOC, and for other general corporate purposes.

Caesars public offering and stock split

In February 2012, CEC offered 1.8 million shares of its common stock in a public offering (the "Public Offering"), at \$9.00 per share. The Company received net proceeds of approximately \$15.2 million after taking into account expenses and underwriting commissions and giving effect to the exercise of the underwriters' overallotment option. Under this option, the Company granted to the underwriters, and the underwriters subsequently exercised, a 30-day option to purchase 271,697 additional shares of its common stock at the initial price less underwriting discounts and commissions. CEC used the net proceeds from the Public Offering for general corporate purposes. As the result of our public offering, our common stock trades on the NASDAQ Global Select Market under the symbol "CZR." In connection with the public offering, the Company effected a 1.742-for-one split of its common stock.

Co-Investors Transaction

In connection with the Company's public offering, Caesars and the Sponsors agreed to release the contractual transfer restrictions on the shares of our common stock (the "Released Shares") beneficially owned by certain indirect stockholders (the "Participating Co-Investors"). The Released Shares comprised 24.2 million shares of our common stock. In consideration for such release, the Participating Co-Investors agreed to direct the contribution to Caesars of a portion of the Released Shares beneficially owned by each Participating Co-Investor, which were sold by Caesars in its public offering in February 2012. Caesars agreed to cause the registration for resale under the Securities Act of 1933, as amended, of the remaining Released Shares not constituting Delivered Shares (the "Registered Shares") and the listing of the Registered Shares on the NASDAQ Global Select Market. 50% of the Registered Shares were eligible for resale at the time of our equity offering in February 2012, and the Participating Co-Investors agreed not to offer or sell, dispose of or hedge, directly or indirectly, the remaining 50% of the Registered Shares without the permission of the underwriters in our equity offering until 180 days from the pricing of our public offering, subject to certain exceptions and automatic extension in certain circumstances. We refer to the transaction with the Participating Co-Investors as the "Co-Investors Transaction."

CEOC Bond Offering

In February 2012, Caesars Operating Escrow LLC and Caesars Escrow Corporation, wholly owned subsidiaries of CEOC, completed the offering of \$1,250.0 million aggregate principal amount of 8.5% senior secured notes due 2020, the proceeds of which were placed into escrow. On March 1, 2012, the escrow conditions were satisfied and CEOC assumed the notes. CEOC used \$1,095.6 million of the net proceeds from this transaction to repay a portion of its credit facilities in connection with the amendment discussed below.

Amendment to CEOC Credit Facilities

On March 1, 2012, CEOC entered into an amendment to its outstanding senior secured credit agreement, to, among other things, (i) extend the maturity of B-1, B-2 and B-3 term loans held by consenting lenders from January 28, 2015 to January 28, 2018 and increase the interest rate with respect to such extended term loans (the "Term B-6 Loans"); (ii) convert original maturity revolver commitments held by consenting lenders to Term B-6 Loans and promptly following such conversion, repay Term B-6 Loans held by any consenting lender in an amount equal to 10% of the amount of revolver commitments that such lender elected to convert; (iii) extend the maturity of original maturity revolver commitments held by consenting lenders who elect not to convert their commitments to term loans, from January 28, 2014 to January 28, 2017 and increase the interest rate and the undrawn commitment fee with respect to such extended revolver commitments and upon the effectiveness of such

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extension, terminate 20% of extended revolver commitments on a pro rata basis; and (iv) modify certain other provisions of the credit facilities. In addition to the foregoing, the CEOC may elect to extend and/or convert additional term loans and/or revolver commitments from time to time.

Governmental Regulation

The gaming industry is highly regulated, and we must maintain our licenses and pay gaming taxes to continue our operations. Each of our casinos is subject to extensive regulation under the laws, rules, and regulations of the jurisdiction where it is located. These laws, rules, and regulations generally concern the responsibility, financial stability, and character of the owners, managers, and persons with financial interests in the gaming operations. Violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions. A more detailed description of the regulations to which we are subject is contained in Exhibit 99.3 to this Annual Report on Form 10-K, which Exhibit is incorporated herein by reference.

Our businesses are subject to various foreign, federal, state, and local laws and regulations, in addition to gaming regulations. These laws and regulations include, but are not limited to, restrictions and conditions concerning alcoholic beverages, environmental matters, employees, currency transactions, taxation, zoning and building codes, and marketing and advertising. Such laws and regulations could change or could be interpreted differently in the future, or new laws and regulations could be enacted. Material changes, new laws or regulations, or material differences in interpretations by courts or governmental authorities could adversely affect our operating results.

Employee Relations

We have approximately 70,000 employees through our various subsidiaries. Approximately 28,000 employees are covered by collective bargaining agreements with certain of our subsidiaries, relating to certain casino, hotel and restaurant employees at certain of our properties. Most of our employees covered by collective bargaining agreements are located at our properties in Las Vegas and Atlantic City. Our collective bargaining agreements with employees located at our Atlantic City properties expire at various times throughout 2014 and 2016 and our collective bargaining agreements with our employees located at our Las Vegas properties expire at various times throughout 2012 and 2013.

Available Information

Our Internet address is www.caesars.com. We make available free of charge, on or through our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (the "SEC"). We also make available through our website all filings of our executive officers and directors on Forms 3, 4, and 5 under Section 16 of the Exchange Act. These filings are also available on the SEC's website at www.sec.gov. Our Code of Business Conduct and Ethics for Principal Officers is available on our website under the "Investor Relations" link. We will provide a copy of these documents without charge to any person upon receipt of a written request addressed to Caesars Entertainment Corporation, Attn: Corporate Secretary, One Caesars Palace Drive, Las Vegas, Nevada 89109. Reference in this document to our website address does not constitute incorporation by reference of the information contained on the website.

ITEM 1A. Risk Factors

If we are unable to effectively compete against our competitors, our profits will decline.

The gaming industry is highly competitive and our competitors vary considerably in size, quality of facilities, number of operations, brand identities, marketing, and growth strategies, financial strength and capabilities, level of amenities, management talent, and geographic diversity. We also compete with other non-gaming resorts and vacation areas, and with various other entertainment businesses. Our competitors in each market that we participate may have substantially greater financial, marketing, and other resources than we do, and there can be no assurance that they will not, in the future, engage in aggressive pricing action to compete with us. Although we believe we are currently able to compete effectively in each of the various markets in which we participate, we cannot assure you that we will be able to continue to do so or that we will be capable of maintaining or further increasing our current market share. Our failure to compete successfully in our various markets could adversely affect our business, financial condition, results of operations, and cash flow.

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In recent years, many casino operators have been reinvesting in existing markets to attract new customers or to gain market share, thereby increasing competition in those markets. As companies have completed new expansion projects, supply has typically grown at a faster pace than demand in some markets, including Las Vegas, our largest market, and competition has increased significantly. For example, CityCenter, a large development of resorts and residences, opened in December 2009 in Las Vegas. The expansion of existing casino entertainment properties, the increase in the number of properties and the aggressive marketing strategies of many of our competitors have increased competition in many markets in which we operate, and this intense competition is expected to continue. These competitive pressures have and are expected to continue to adversely affect our financial performance in certain markets, including Atlantic City.

In particular, our business may be adversely impacted by the additional gaming and room capacity in Nevada, New Jersey, New York, Connecticut, Pennsylvania, Mississippi, Missouri, Maryland, Michigan, Indiana, Iowa, Kansas, Illinois, Ohio, Louisiana, Ontario, South Africa, Uruguay, United Kingdom, Egypt, and/or other projects not yet announced which may be competitive in the other markets where we operate or intend to operate. Several states, such as Kentucky, Texas and Indian tribes are also considering enabling the development and operation of casinos or casino-like operations in their jurisdictions. In addition, our operations located in New Jersey and Nevada may be adversely impacted by the expansion of Indian gaming in New York and California, respectively.

The recent downturn in the national economy, the volatility and disruption of the capital and credit markets, and adverse changes in the global economy could negatively impact our financial performance and our ability to access financing.

The severe economic downturn over the past few years and adverse conditions in the local, regional, national and global markets have negatively affected our operations, and may continue to negatively affect our operations in the future. During periods of economic contraction such as recently experienced, our revenues may decrease while some of our costs remain fixed or even increase, resulting in decreased earnings. Gaming and other leisure activities we offer represent discretionary expenditures and participation in such activities may decline during economic downturns, during which consumers generally earn less disposable income. For example, key determinants of our revenues and operating performance include hotel Average Daily Rate (“ADR”), number of gaming trips and average spend per trip by our customers. Given that 2007 was the peak year for our financial performance and the gaming industry in the United States in general, we may not attain those financial levels in the near term, or at all. If we fail to increase ADR or any other similar metric in the near term, our revenues may not increase and, as a result, we may not be able to pay down our existing debt, fund our operations, fund planned capital expenditures or achieve expected growth rates, all of which could have a material adverse effect on our business, financial condition and results of operations. Even an uncertain economic outlook may adversely affect consumer spending in our gaming operations and related facilities, as consumers spend less in anticipation of a potential economic downturn. Furthermore, other uncertainties, including national and global economic conditions, terrorist attacks or other global events, could adversely affect consumer spending and adversely affect our operations.

We are subject to extensive governmental regulation and taxation policies, the enforcement of which could adversely impact our business, financial condition, and results of operations.

We are subject to extensive gaming regulations and political and regulatory uncertainty. Regulatory authorities in the jurisdictions where we operate have broad powers with respect to the licensing of casino operations and may revoke, suspend, condition or limit our gaming or other licenses, impose substantial fines and take other actions, any one of which could adversely impact our business, financial condition and results of operations. For example, revenues and income from operations were negatively impacted during July 2006 in Atlantic City by a three-day government-imposed casino shutdown. Furthermore, in many jurisdictions where we operate, licenses are granted for limited durations and require renewal from time to time. For example, in Iowa, our ability to continue our gaming operations is subject to a referendum every eight years or at any time upon petition of the voters in the county in which we operate; the most recent referendum which approved our ability to continue to operate our casinos occurred in November 2010. There can be no assurance that continued gaming activity will be approved in any referendum in the future. If we do not obtain the requisite approval in any future referendum, we will not be able to operate our gaming operations in Iowa, which would negatively impact our future performance.

From time to time, individual jurisdictions have also considered legislation or referendums, such as bans on smoking in casinos and other entertainment and dining facilities, which could adversely impact our operations. For example, the City Council of Atlantic City passed an ordinance in 2007 requiring that we segregate at least 75% of the casino gaming floor as a nonsmoking area, leaving no more than 25% of the casino gaming floor as a smoking area. Illinois also passed the Smoke Free Illinois Act which became effective January 1, 2008, and bans smoking in nearly all public places, including bars, restaurants, work places, schools and casinos. The Act also bans smoking within 15 feet of any entrance, window or air intake area of these public places. These smoking bans have adversely affected revenues and operating results at our properties. The likelihood or outcome of similar legislation in other jurisdictions and referendums in the future cannot be predicted, though any smoking ban would be expected to negatively impact our financial performance.

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The casino entertainment industry represents a significant source of tax revenues to the various jurisdictions in which casinos operate. From time to time, various state and federal legislators and officials have proposed changes in tax laws, or in the administration of such laws, including increases in tax rates, which would affect the industry. If adopted, such changes could adversely impact our business, financial condition and results of operations.

The acquisition, development and construction of new hotels, casinos and gaming and non-gaming venues and the expansion of existing ones could have an adverse effect on our business, financial condition and results of operations due to various factors including delays, cost overruns and other uncertainties.

We intend to develop, construct and open or acquire new hotels, casinos and other gaming venues, as well as develop and manage non-gaming venues, in response to opportunities that may arise. Future development projects and acquisitions may require significant capital commitments, the incurrence of additional debt, guarantees of third party debt, the incurrence of contingent liabilities and an increase in depreciation and amortization expense, which could have an adverse effect upon our business, financial condition and results of operations. The development and construction of new hotels, casinos and gaming venues and the expansion of existing ones, such as our recent expansion at Caesars Palace in Las Vegas, as well as the development and construction of non-gaming venues such as Project Linq in Las Vegas and Caesars Palace Longmu Bay, are susceptible to various risks and uncertainties, such as:

- the existence of acceptable market conditions and demand for the completed project;
- general construction risks, including cost overruns, change orders and plan or specification modification, shortages of equipment, materials or skilled labor, labor disputes, unforeseen environmental, engineering or geological problems, work stoppages, fire and other natural disasters, construction scheduling problems, and weather interferences;
- changes and concessions required by governmental or regulatory authorities;
- the ability to finance the projects, especially in light of our substantial indebtedness;
- delays in obtaining, or inability to obtain, all licenses, permits and authorizations required to complete and/or operate the project; and
- disruption of our existing operations and facilities.

Moreover, our development and expansion projects are sometimes jointly pursued with third parties or by licensing our brands to third parties. These joint development, expansion projects or license agreements are subject to risks, in addition to those disclosed above, as they are dependent on our ability to reach and maintain agreements with third parties. For example, we made a bid with Rock Gaming LLC and other local investors for a video lottery terminal facility in Baltimore, Maryland and we can give no assurances that the bid will be awarded to us, that we will reach definitive agreements with the other parties that comprise the bid, or that the development project will be undertaken.

Our failure to complete any new development or expansion project, or consummate any joint development, expansion projects or projects where we license our brands, as planned, on schedule, within budget or in a manner that generates anticipated profits, could have an adverse effect on our business, financial condition and results of operations.

We may sell different properties as a result of our evaluation of our portfolio of businesses. Such divestitures would affect our costs, revenues, profitability and financial position.

From time to time, we evaluate our properties and may, as a result, sell or attempt to sell different properties. These divestitures affect our costs, revenues, profitability and financial position.

Divestitures have inherent risks, including possible delays in closing transactions (including potential difficulties in obtaining regulatory approvals), the risk of lower-than-expected sales proceeds for the divested businesses, and potential post-closing claims for indemnification. In addition, current economic conditions and relatively illiquid real estate markets may result in fewer potential bidders and unsuccessful sales efforts. Expected costs savings, which are offset by revenue losses from divested properties, may also be difficult to achieve or maximize due to our fixed cost structure.

We may incur impairments to goodwill, indefinite-lived intangible assets, or long-lived assets which could negatively affect our future profits.

In accordance with the authoritative accounting guidance for goodwill and other intangible assets, we test our goodwill and indefinite-lived intangible assets for impairment annually or if a triggering event occurs. Each year, we perform a preliminary annual impairment assessment of goodwill and other non-amortizing intangible assets as of September 30. In the fourth quarter of each year, we update our preliminary assessment once we finalize our long-term operating plan and certain other

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assumptions, however, as discussed below, if our estimates of projected cash flows related to these assets are not achieved, we may be subject to a future impairment charge, which could have a material adverse impact on our consolidated financial statements. In addition, in accordance with the provisions of the authoritative accounting guidance for the impairment or disposal of long-lived assets, we test long-lived assets for impairment if a triggering event occurs.

We are dependent upon our properties for future cash flows and our continued success depends on our ability to draw customers to our properties. Significant negative industry or economic trends, reduced estimates of future cash flows, disruptions to our business, slower growth rates or lack of growth in our business have resulted in significant write-downs and impairment charges during the years ended December 31, 2010 and 2009, and during the period from January 28, 2008 through December 31, 2008, and, if one or more of such events occurs in the future, additional impairment charges may be required in future periods. If we are required to record additional impairment charges, this could have a material adverse impact on our consolidated financial statements.

Acts of terrorism and war, natural disasters and severe weather may negatively impact our future profits.

Terrorist attacks and other acts of war or hostility have created many economic and political uncertainties. For example, a substantial number of our customers for our properties in Las Vegas use air travel. On September 11, 2001, acts of terrorism occurred in New York City, Pennsylvania and Washington, D.C. As a result of these terrorist acts, domestic and international travel was severely disrupted, which resulted in a decrease in customer visits to our properties in Las Vegas. We cannot predict the extent to which disruptions in air or other forms of travel as a result of any further terrorist act, security alerts or war, uprisings, or hostilities in places such as Iraq and Afghanistan, other countries throughout the world will continue to directly or indirectly impact our business and operating results. For example, our operations in Cairo, Egypt were negatively affected from the uprising there in January 2011. As a consequence of the threat of terrorist attacks and other acts of war or hostility in the future, premiums for a variety of insurance products have increased, and some types of insurance are no longer available. Given current conditions in the global insurance markets, we are substantially under insured for losses and interruptions caused by terrorist acts and acts of war. If any such event were to affect our properties, we would likely be adversely impacted.

In addition, natural and man-made disasters such as major fires, floods, hurricanes, earthquakes and oil spills could also adversely impact our business and operating results. For example, four of our properties were closed for an extended period of time due to the damage sustained from Hurricanes Katrina and Rita in August and September 2005, respectively. Such events could lead to the loss of use of one or more of our properties for an extended period of time and disrupt our ability to attract customers to certain of our gaming facilities. If any such event were to affect our properties, we would likely be adversely impacted. Seven of our properties were closed during the first half of 2011 due to flooding and severe weather conditions. Additionally, in August 2011, our casinos in Atlantic City were closed during a busy summer weekend due to Hurricane Irene.

In most cases, we have insurance that covers portions of any losses from a natural disaster, but it is subject to deductibles and maximum payouts in many cases. Although we may be covered by insurance from a natural disaster, the timing of our receipt of insurance proceeds, if any, is out of our control. In some cases, however, we will receive no proceeds from insurance, such as our August 2011 closing in Atlantic City.

Additionally, a natural disaster affecting one or more of our properties may affect the level and cost of insurance coverage we may be able to obtain in the future, which may adversely affect our financial position.

As our operations depend in part on our customers' ability to travel, severe or inclement weather can also have a negative impact on our results of operations.

Our business is particularly sensitive to energy prices and a rise in energy prices could harm our operating results.

We are a large consumer of electricity and other energy and, therefore, higher energy prices may have an adverse effect on our results of operations. Accordingly, increases in energy costs may have a negative impact on our operating results. Additionally, higher electricity and gasoline prices which affect our customers may result in reduced visitation to our resorts and a reduction in our revenues. We may be indirectly impacted by regulatory requirements aimed at reducing the impacts of climate change directed at up-stream utility providers, as we could experience potentially higher utility, fuel, and transportation costs.

Work stoppages and other labor problems could negatively impact our future profits.

Some of our employees are represented by labor unions. A lengthy strike or other work stoppage at one of our casino properties or construction projects could have an adverse effect on our business and results of operations. From time to time, we have also experienced attempts to unionize certain of our non-union employees. While these efforts have achieved only limited success to date, we cannot provide any assurance that we will not experience additional and more successful union activity in the future. There has been a trend towards unionization for employees in Atlantic City and Las Vegas. The impact of this union activity is undetermined and could negatively impact our profits.

Our obligation to fund multi-employer pension plans to which we contribute may have an adverse impact on us.

We contribute to and participate in various multi-employer pension plans for employees represented by certain unions. We are required to make contributions to these plans in amounts established under collective bargaining agreements. We do not administer these plans and, generally, are not represented on the boards of trustees of these plans. The Pension Protection Act enacted in 2006, or the PPA, requires under-funded pension plans to improve their funding ratios. Based on the information available to us, some of the multi-employer plans to which we contribute are either “critical” or “endangered” as those terms are defined in the PPA. We cannot determine at this time the amount of additional funding, if any, we may be required to make to these plans. However, plan assessments could have an adverse impact on our results of operations or cash flows for a given period. Furthermore, under current law, upon the termination of a multi-employer pension plan, or in the event of a withdrawal by us, which we consider from time to time, or a mass withdrawal or insolvency of contributing employers, we would be required to make payments to the plan for our proportionate share of the plan’s unfunded vested liabilities. Any termination of a multi-employer plan, or mass withdrawal or insolvency of contributing employers, could require us to contribute an amount under a plan of rehabilitation or surcharge assessment that would have a material adverse impact on our consolidated financial condition, results of operations and cash flows.

We extend credit to a portion of our customers and we may not be able to collect gaming receivables from our credit players.

We conduct our gaming activities on a credit and cash basis at many of our properties. Any such credit we extend is unsecured. Table games players typically are extended more credit than slot players, and high-stakes players typically are extended more credit than customers who tend to wager lower amounts. High-end gaming is more volatile than other forms of gaming, and variances in win-loss results attributable to high-end gaming may have a significant positive or negative impact on cash flow and earnings in a particular quarter. We extend credit to those customers whose level of play and financial resources warrant, in the opinion of management, an extension of credit. These large receivables could have a significant impact on our results of operations if deemed uncollectible. While gaming debts evidenced by a credit instrument, including what is commonly referred to as a “marker,” and judgments on gaming debts are enforceable under the current laws of the jurisdictions in which we allow play on a credit basis and judgments in such jurisdictions on gaming debts are enforceable in all states

under the Full Faith and Credit Clause of the U.S. Constitution, other jurisdictions may determine that enforcement of gaming debts is against public policy. Although courts of some foreign nations will enforce gaming debts directly and the assets in the U.S. of foreign debtors may be reached to satisfy a judgment, judgments on gaming debts from U.S. courts are not binding on the courts of many foreign nations.

We may not realize all of the anticipated benefits of current or potential future acquisitions.

Our ability to realize the anticipated benefits of acquisitions will depend, in part, on our ability to integrate the businesses of such acquired company with our businesses. The combination of two independent companies is a complex, costly and time consuming process. This process may disrupt the business of either or both of the companies, and may not result in the full benefits expected. The difficulties of combining the operations of the companies, including our recent acquisitions of Planet Hollywood in Las Vegas and Thistledown Racetrack in Cleveland, Ohio, include, among others:

- coordinating marketing functions;
- undisclosed liabilities;
- unanticipated issues in integrating information, communications and other systems;
- unanticipated incompatibility of purchasing, logistics, marketing and administration methods;
- retaining key employees;
- consolidating corporate and administrative infrastructures;
- the diversion of management’s attention from ongoing business concerns; and
- coordinating geographically separate organizations.

We may be unable to realize in whole or in part the benefits anticipated for any current or future acquisitions.

We may not realize any or all of our projected cost savings, which would have the effect of reducing our LTM Adjusted EBITDA, which would have a negative effect on our results of operations and negatively impact our covenant calculation and could have a negative effect on our stock price.

Beginning in the third quarter of 2008, we initiated a company-wide cost savings plan in an effort to align our expenses with current revenue levels. In addition, we embarked on Project Renewal in the fourth quarter of 2010 to identify the optimum way of structuring our business given our breadth and scale of product offerings. While these efforts have allowed us to realize substantial savings since we initiated our cost savings plan, our continued reduction efforts may fail to achieve similar or continued savings. Although we believe, as of December 31, 2011, once fully implemented, these cost savings programs will produce additional estimated annual cost savings of \$198.3 million, we may not realize some or all of these projected savings without impacting our revenues. Our cost savings plans are intended to increase our effectiveness and efficiency in our operations without impacting our revenues and margins. Our cost savings plan is subject to numerous risks and uncertainties that may change at any time, and, therefore, our actual savings may differ materially from what we anticipate. For example, cutting advertising or marketing expenses may have an unintended negative affect on our revenues. In addition, our expected savings from procurement of goods may be affected by unexpected increases in the cost of raw materials. Furthermore, because we use our projected yet-to-be realized cost savings as a pro forma adjustment to calculate our LTM Adjusted EBITDA—Pro Forma—CEOC Restricted, our actual LTM Adjusted EBITDA would be reduced to the extent of the cost savings we do not achieve.

We may be required to pay our future tax obligation on our deferred cancellation of debt income.

Under the American Recovery and Reinvestment Act of 2009, or the ARRA, we will receive temporary federal tax relief under the Delayed Recognition of Cancellation of Debt Income, or CODI, rules. The ARRA contains a provision that allows for a deferral for tax purposes of CODI for debt reacquired in 2009 and 2010, followed by recognition of CODI ratably from 2014 through 2018. In connection with the debt that we reacquired in 2009 and 2010, we have deferred related CODI of \$3.6 billion for tax purposes (net of Original Issue Discount (“OID”) interest expense, some of which must also be deferred to 2014 through 2018 under the ARRA). We are required to include one-fifth of the deferred CODI, net of deferred and regularly scheduled OID, in taxable income each year from 2014 through 2018. To the extent that our federal taxable income exceeds our available federal net operating loss carry forwards in those years, we will have a cash tax obligation. Our tax obligations related to CODI could be substantial and could materially and adversely affect our cash flows as a result of tax payments. For more information on the debt that we reacquired in 2009 and 2010, see “Management’s Discussion and Analysis of Financial Condition and Results of Operation-Other Factors Affecting Net Income.”

The risks associated with our international operations could reduce our profits.

Some of our properties are located outside the United States, and our 2006 acquisition of London Clubs has increased the percentage of our revenue derived from operations outside the United States. International operations are subject to inherent risks including:

- political and economic instability;
- variation in local economies;
- currency fluctuation;
- greater difficulty in accounts receivable collection;
- trade barriers; and
- burden of complying with a variety of international laws.

For example, the political instability in Egypt due to the uprising in January 2011 has negatively affected our properties there.

The loss of the services of key personnel could have a material adverse effect on our business.

The leadership of our chief executive officer, Mr. Loveman, and other executive officers has been a critical element of our success. The death or disability of Mr. Loveman or other extended or permanent loss of his services, or any negative market or industry perception with respect to him or arising from his loss, could have a material adverse effect on our business. Our other executive officers and other members of senior management have substantial experience and expertise in our business and have made significant contributions to our growth and success. The unexpected loss of services of one or more of these individuals could also adversely affect us. We are not protected by key man or similar life insurance covering members of our senior management. We have employment agreements with our executive officers, but these agreements do not guarantee that any given executive will remain with us.

If we are unable to attract, retain and motivate employees, we may not be able to compete effectively and will not be able to expand our business.

Our success and ability to grow are dependent, in part, on our ability to hire, retain and motivate sufficient numbers of talented people, with the increasingly diverse skills needed to serve clients and expand our business, in many locations around the world. Competition for highly qualified, specialized technical and managerial, and particularly consulting personnel, is intense. Recruiting, training, retention and benefit costs place significant demands on our resources. Additionally, our substantial indebtedness and the recent downturn in the gaming, travel and leisure sectors has made recruiting executives to our business more difficult. The inability to attract qualified employees in sufficient numbers to meet particular demands or the loss of a significant number of our employees could have an adverse effect on us.

We are controlled by the Sponsors, whose interests may not be aligned with ours.

Hamlet Holdings, the members of which are comprised of an equal number of individuals affiliated with each of the Sponsors, beneficially owns approximately 69.9% of our common stock pursuant to an irrevocable proxy providing Hamlet Holdings with sole voting and sole dispositive power over those shares. As a result, the Sponsors have the power to elect all of our directors. Therefore, the Sponsors have the ability to vote on any transaction that requires the approval of our Board or our stockholders, including the approval of significant corporate transactions such as mergers and the sale of substantially all of our assets. The interests of the Sponsors could conflict with or differ from the interests of other holders of our common stock. For example, the concentration of ownership held by the Sponsors could delay, defer or prevent a change of control of us or impede a merger, takeover or other business combination which another stockholder may otherwise view favorably. Additionally, the Sponsors are in the business of making or advising on investments in companies it holds, and may from time to time in the future acquire interests in or provide advice to businesses that directly or indirectly compete with certain portions of our business or are suppliers or customers of ours. One or both of the Sponsors may also pursue acquisitions that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. A sale of a substantial number of shares of stock in the future by funds affiliated with the Sponsors or their co-investors could cause our stock price to decline. So long as Hamlet Holdings continues to hold the irrevocable proxy, they will continue to be able to strongly influence or effectively control our decisions.

In addition, we have an executive committee that serves at the discretion of our Board and is authorized to take such actions as it reasonably determines appropriate. Currently, the executive committee may act by a majority of its members, provided that at least one member affiliated with TPG and Apollo must approve any action of the executive committee. See “Directors, Executive Officers and Corporate Governance—Executive Committee” for a further discussion.

Use of the “Caesars” brand name, or any of our other brands, by entities other than us could damage the brands and our operations and adversely affect our business and results of operations.

Our “Caesars” brand remains the most recognized casino brand in the world and our operations benefit from the global recognition and reputation generated by our brands. Generally and through Caesars Global Life, we are actively pursuing gaming and non-gaming management, branding, and development opportunities in Asia and other parts of the world where our brands and reputation are already well-recognized assets. In September 2011, we announced a management and branding agreement for a non-gaming development, whose equity will be provided by a third party, that will be called Caesars Palace Longmu Bay. In addition, we will continue to expand our World Series of Poker tournaments to international jurisdictions where we believe there is a likelihood of legalization of online gaming, in order to grow the brand’s awareness. In connection with such opportunities, we intend to grant third parties licenses to use our brands. Our business and results of operations may be adversely affected by the management or the enforcement of the “Caesars” and the “World Series of Poker” brand names, or any of our other brands, by third parties outside of our exclusive control.

Any failure to protect our trademarks could have a negative impact on the value of our brand names and adversely affect our business.

The development of intellectual property is part of our overall business strategy, and we regard our intellectual property to be an important element of our success. For example, we own and operate the World Series of Poker tournaments, and we license trademarks for a variety of products and businesses related to this brand. While our business as a whole is not substantially dependent on any one trademark or combination of several of our trademarks or other intellectual property, we seek to establish and maintain our proprietary rights in our business operations and technology through the use of patents, copyrights, trademarks and trade secret laws. We file applications for and obtain patents, copyrights and trademarks in the United States and in foreign countries where we believe filing for such protection is appropriate. We also seek to maintain our trade secrets and confidential information by nondisclosure policies and through the use of appropriate confidentiality agreements. Despite our efforts to protect our proprietary rights, parties may infringe our trademarks and use information that we regard as proprietary and our rights may be invalidated or unenforceable. The laws of some foreign countries do not protect proprietary rights to as great an extent as do the laws of the United States. Monitoring the unauthorized use of our intellectual property is difficult. Litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Litigation of this type could result in substantial costs and diversion of resource. We cannot assure you that all of the steps we have taken to protect our trademarks in the United States and foreign countries will be adequate to prevent imitation of our trademarks by others. The unauthorized use or reproduction of our trademarks could diminish the value of our brand and its market acceptance, competitive advantages or goodwill, which could adversely affect our business.

Any violation of the Foreign Corrupt Practices Act or other similar laws and regulations could have a negative impact on us.

We are subject to risks associated with doing business outside of the United States, which exposes us to complex foreign and U.S. regulations inherent in doing business cross-border and in each of the countries in which it transacts business. We are subject to regulations imposed by the Foreign Corrupt Practices Act, or the FCPA, and other anti-corruption laws that generally prohibit U.S. companies and their intermediaries from offering, promising, authorizing or making improper payments to foreign government officials for the purpose of obtaining or retaining business. Violations of the FCPA and other anti-corruption laws may result in severe criminal and civil sanctions as well as other penalties and the SEC and U.S. Department of Justice have increased their enforcement activities with respect to the FCPA. Internal control policies and procedures and employee training and compliance programs that we have implemented to deter prohibited practices may not be effective in prohibiting our employees, contractors or agents from violating or circumventing our policies and the law. If our employees or agents fail to comply with applicable laws or Company policies governing our international operations, we may face investigations, prosecutions and other legal proceedings and actions which could result in civil penalties, administrative remedies and criminal sanctions. Any determination that we have violated the FCPA could have a material adverse effect on our financial condition. Compliance with international and U.S. laws and regulations that apply to our international operations increases our cost of doing business in foreign jurisdictions. We also deal with significant amounts of cash in our operations and are subject to various reporting and anti-money laundering regulations. Any violation of anti-money laundering laws or regulations by any of our resorts could have a negative effect on our results of operations.

We are or may become involved in legal proceedings that, if adversely adjudicated or settled, could impact our financial condition.

From time to time, we are defendants in various lawsuits or other legal proceedings relating to matters incidental to our business. The nature of our business subjects us to the risk of lawsuits filed by customers, past and present employees, competitors, business partners, Indian tribes and others in the ordinary course of business. As with all legal proceedings, no assurance can be provided as to the outcome of these matters and in general, legal proceedings can be expensive and time consuming. For example, we may have potential liability arising from a class action lawsuit against Hilton Hotels Corporation relating to employee benefit obligations. We may not be successful in the defense or prosecution of these lawsuits, which could result in settlements or damages that could significantly impact our business, financial condition and results of operations.

Our debt agreements contain restrictions that limit our flexibility in operating our business.

Our senior secured credit facilities, the CMBS mortgage loan and/or related mezzanine loans the (“CMBS Loans”), the indentures governing most of our existing notes, the senior secured loans related to the development of Octavius Tower at Caesars Palace Las Vegas and Project Linq, the senior secured loan of PHW Las Vegas, LLC and the senior secured notes of Chester Downs contain, and any future indebtedness of ours would likely contain, a number of covenants that impose significant operating and financial restrictions on us, including restrictions on our and our subsidiaries’ ability to, among other things:

- incur additional debt or issue certain preferred shares;
- pay dividends on or make distributions in respect of our capital stock or make other restricted payments;

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- make certain investments;
- sell certain assets;
- create liens on certain assets;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into certain transactions with our affiliates; and
- designate our subsidiaries as unrestricted subsidiaries.

As a result of these covenants, we are limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs.

We have pledged and will pledge a significant portion of our assets as collateral under our senior secured credit facilities, our CMBS Loans, our first lien notes, our second lien notes, the senior secured loan of PHW Las Vegas, LLC, or PHW Las Vegas, the senior secured loan related to the development of the Octavius Tower at Caesars Palace Las Vegas, the Octavius Tower or Project Octavius, and a retail, dining and entertainment corridor located between the Imperial Palace Hotel and Casino and the Flamingo Las Vegas on the Las Vegas strip, or Project Linq, or the senior secured notes of Chester Downs. If any of these lenders accelerate the repayment of borrowings, there can be no assurance that we will have sufficient assets to repay our indebtedness.

Under our senior secured credit facilities, we are required to satisfy and maintain specified financial ratios. Our ability to meet those financial ratios can be affected by events beyond our control, and there can be no assurance that we will meet those ratios. A failure to comply with the covenants contained in our senior secured credit facilities or our other indebtedness could result in an event of default under the facilities or the existing agreements, which, if not cured or waived, could have a material adverse effect on our business, financial condition and results of operations. In the event of any default under our senior secured credit facilities or our other indebtedness, the lenders thereunder:

- will not be required to lend any additional amounts to us;
- could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be due and payable and terminate all commitments to extend further credit; or
- require us to apply all of our available cash to repay these borrowings.

Such actions by the lenders could cause cross defaults under our other indebtedness. If we were unable to repay those amounts, the lenders under our senior secured credit facilities, our CMBS financing and our first and second lien notes could proceed against the collateral granted to them to secure that indebtedness.

If the indebtedness under our first and second lien notes, senior secured credit facilities, CMBS financing or our other indebtedness were to be accelerated, there can be no assurance that our assets would be sufficient to repay such indebtedness in full.

Our substantial indebtedness could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry and prevent us from making debt service payments.

We are a highly leveraged company. As of December 31, 2011, we had \$22,657.9 million face value of outstanding indebtedness and our current debt service obligation for the next 12 months is \$1,693.0 million, which includes required interest payments of \$1,647.7 million. As of December 31, 2011, CEOC had \$19,088.5 million face value of outstanding indebtedness including \$1,462.1 million owed to Caesars Entertainment, and CEOC's debt service obligation for the next 12 months is \$1,606.5 million, which includes required interest payments of \$1,561.2 million.

In February 2012, subsidiaries of CEOC completed the offering of \$1,250.0 million in first lien notes, and used the majority of the proceeds to pay down certain Term Loans. Also in February 2012, Chester Downs issued \$330.0 million in bonds, using a majority of the proceeds to pay off its senior secured loans. In addition, on March 1, 2012, CEOC's credit agreement was amended to create a new tranche of term loan due in 2018 and to revise interest rates on certain tranches of term loans outstanding. The full terms of these transactions are described in Note 22, "Subsequent Events," to the consolidated financial statements included in Item 8 of this report. Had these transactions occurred on December 31, 2011, we would have had \$22,983.4 million face value of outstanding indebtedness and our current debt service obligation for the next 12 months would be \$1,764.8 million, which includes required interest payments of \$1,741.3 million. As of December 31, 2011, CEOC would

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have had \$19,414.0 million face value of outstanding indebtedness including \$1,462.1 million owed to Caesars Entertainment, and CEOC's debt service obligation for the next 12 months would be \$1,678.3 million, which includes required interest payments of \$1,654.8 million.

Our substantial indebtedness could:

- limit our ability to borrow money for our working capital, capital expenditures, development projects, debt service requirements, strategic initiatives or other purposes;
- make it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the agreements governing our indebtedness;
- require us to dedicate a substantial portion of our cash flow from operations to the repayment of our indebtedness thereby reducing funds available to us for other purposes;
- limit our flexibility in planning for, or reacting to, changes in our operations or business;
- make us more highly leveraged than some of our competitors, which may place us at a competitive disadvantage;
- make us more vulnerable to downturns in our business or the economy;
- restrict us from making strategic acquisitions, developing new gaming facilities, introducing new technologies or exploiting business opportunities;
- affect our ability to renew gaming and other licenses;
- limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds or dispose of assets; and
- expose us to the risk of increased interest rates as certain of our borrowings are at variable rates of interest.

Despite our substantial indebtedness, we may still be able to incur significantly more debt. This could intensify the risks described above.

We and our subsidiaries may be able to incur substantial indebtedness at any time, and from time to time, including in the near future. Although the terms of the agreements governing our indebtedness contain restrictions on our ability to incur additional indebtedness, these restrictions are subject to a number of important qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial.

For example, as of December 31, 2011, we had \$938.2 million available for additional borrowing under our senior secured revolving credit facility after giving effect to \$113.5 million in outstanding letters of credit thereunder, all of which would be secured. None of our existing indebtedness limits the amount of debt that may be incurred by Caesars Entertainment. Our senior secured credit facilities allow for one or more future issuances of additional secured notes or loans, which may include, in each case, indebtedness secured on a pari passu basis with the obligations under the senior secured credit facilities and our first lien notes. This indebtedness could be used for a variety of purposes, including financing capital expenditures, refinancing or repurchasing our outstanding indebtedness, including existing unsecured indebtedness, or for general corporate purposes. We have raised and expect to continue to raise debt, including secured debt, to directly or indirectly refinance our outstanding unsecured debt on an opportunistic basis, as well as development opportunities.

We may be unable to generate sufficient cash to service all of our indebtedness, and may be forced to take other actions to satisfy our obligations under our indebtedness that may not be successful. If we are unable to satisfy or refinance our debt obligations as they come due, we cannot assure you that your investment in our company will retain any value.

Our ability to satisfy our debt obligations will depend upon, among other things:

- our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond our control; and
- our future ability to borrow under our senior secured credit facilities, the availability of which depends on, among other things, our complying with the covenants in our senior secured credit facilities.

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We may be unable to generate sufficient cash flow from operations, or unable to draw under our senior secured credit facilities or otherwise, in an amount sufficient to fund our liquidity needs. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. As of December 31, 2011, \$11.1 billion face value of our indebtedness is scheduled to mature in 2015 (assuming the extension options with respect to the CMBS Financing and PHW Las Vegas senior secured loan are exercised), representing 49% of the total face value of our debt. In March 2012 we extended the maturity of \$2.7 billion face value of debt from 2015 to 2018. For a discussion of our debt maturities, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital

Resources-Guarantees of Third-Party Debt and Other Obligations and Commitments-Contractual Obligations.” We do not expect that our cash flow from operations will be sufficient to repay this indebtedness, and we will have to seek a refinancing. We cannot predict at this time whether we will be able to secure any such refinancing, even if market conditions and our financial condition improve between now and then. The market for CMBS financings has substantially decreased since we raised the CMBS financing and it is uncertain whether we will be able to refinance the entire outstanding principal amount of our indebtedness that will be due in 2015, including the CMBS Financing. Even if refinancing alternatives were available to us, we may not find them suitable or at comparable interest rates to the indebtedness being refinanced. In addition, the terms of existing or future debt agreements may restrict us from securing a refinancing on terms that are available to us at that time. In the absence of such operating results and resources, we would face substantial liquidity problems and would likely be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions for fair market value or at all. Furthermore, any proceeds that we could realize from any such dispositions may not be adequate to meet our debt service obligations then due. We could also be required to reorganize our Company in its entirety. Neither the Sponsors nor any of their respective affiliates has any continuing obligation to provide us with debt or equity financing. Even if we are able to refinance our debt, any refinancing could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. For example, the interest rates on our first and second lien notes are substantially higher than the interest rates under our senior secured credit facility. If we are unable to service our debt obligations generally, and if we are unable to refinance our debt obligations that mature in 2015 or thereafter, we cannot assure you that our company will continue in its current state or that your investment in our company will retain any value.

An active trading market for our common stock may not develop.

Prior to our listing in February 2012, there has not been a public market for our common stock. We cannot predict the extent to which investor interest in us will lead to the development of an active trading market or how liquid that market might become. Our shares may be less liquid than the shares of other newly public companies and there may be imbalances between supply and demand for our shares. As a result, our share price may experience significant volatility and may not necessarily reflect the value of our expected performance. If an active trading market does not develop, owners of our common stock may have difficulty selling any of our common stock.

Future sales or the possibility of future sales of a substantial amount of our common stock may depress the price of shares of our common stock.

Future sales or the availability for sale of substantial amounts of our common stock in the public market could adversely affect the prevailing market price of our common stock and could impair our ability to raise capital through future sales of equity securities.

As of March 9, 2012, there were 125,297,197 shares outstanding all of which are the same class of voting common stock. All of the outstanding shares of our common stock will be eligible for resale under Rule 144 or Rule 701 of the Securities Act, subject to volume limitations, applicable holding period requirements and certain lockup agreements related to certain of our shareholders and management described below or other contractual restrictions. The Sponsors have the ability to cause us to register the resale of its shares, and our management members who hold shares will have the ability to include their shares in such registration.

In connection with the Co-Investors Transaction, we filed a shelf prospectus to register 22,339,143 shares of our common stock for resale on a continuous basis by the Participating Co-Investors, subject to the lockup agreements described herein. We may issue shares of common stock or other securities from time to time as consideration for future acquisitions and investments or for any other reason that our board of directors deems advisable. If any such acquisition or investment is significant, the number of shares of our common stock, or the number or aggregate principal amount, as the case may be, of other securities that we may issue may in turn be substantial. We may also grant registration rights covering those shares of common stock or other securities in connection with any such acquisitions and investments.

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We cannot predict the size of future issuances of our common stock or other securities or the effect, if any, that future issuances and sales of our common stock or other securities, including future sales by the Sponsors, will have on the market price of our common stock. Sales of substantial amounts of common stock (including shares of common stock issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock.

The price and trading volume of our common stock may fluctuate significantly.

The market price of our common stock may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume of our common stock may fluctuate and cause significant price variations to occur. Volatility in the market price of our common stock may prevent a holder of our common stock from being able to sell their shares. The market price for our common stock could fluctuate significantly for various reasons, including:

- our operating and financial performance and prospects;
- our quarterly or annual earnings or those of other companies in our industry;
- conditions that impact demand for our products and services;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- changes in earnings estimates or recommendations by securities analysts who track our common stock;
- market and industry perception of our success, or lack thereof, in pursuing our growth strategy;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- changes in government and environmental regulation, including gaming taxes;
- changes in accounting standards, policies, guidance, interpretations or principles;
- arrival and departure of key personnel;
- changes in our capital structure;
- sales of common stock by us or members of our management team;
- the expiration of contractual lockup agreements; and
- changes in general market, economic and political conditions in the United States and global economies or financial markets, including those resulting from natural disasters, terrorist attacks, acts of war and responses to such events.

In addition, in recent years, the stock market has experienced significant price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in the gaming, lodging, hospitality and entertainment industries. The changes frequently appear to occur without regard to the operating performance of the affected companies. Hence, the price of our common stock could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce our share price.

Our stockholders are subject to extensive governmental regulation and if a stockholder is found unsuitable by the gaming authority, that stockholder would not be able to beneficially own our common stock directly or indirectly.

In many jurisdictions, gaming laws can require any of our stockholders to file an application, be investigated, and qualify or have his, her or its suitability determined by gaming authorities. Gaming authorities have very broad discretion in determining whether an applicant should be deemed suitable. Subject to certain administrative proceeding requirements, the gaming regulators have the authority to deny any application or limit, condition, restrict, revoke or suspend any license, registration, finding of suitability or approval, or fine any person licensed, registered or found suitable or approved, for any cause deemed reasonable by the gaming authorities. For additional information on the criteria used in making determinations regarding suitability, see "Governmental Regulation"

For example, under Nevada gaming laws, each person who acquires, directly or indirectly, beneficial ownership of any voting security, or beneficial or record ownership of any non-voting security or any debt security, in a public corporation which is registered with the Nevada Gaming Commission, or the Gaming Commission, may be required to be found suitable if the Gaming Commission has reason to believe that his or her acquisition of that ownership, or his or her continued ownership in general, would be inconsistent with the declared public policy of Nevada, in the sole discretion of the Gaming Commission. Any person required by the Gaming Commission to be found suitable shall apply for a finding of suitability within 30 days after the Gaming Commission's request that he or she should do so and, together with his or her application for suitability, deposit with the Nevada Gaming Control Board, or the Control Board, a sum of money which, in the sole discretion of the Control Board, will be adequate to pay the anticipated costs and charges incurred in the investigation and processing of that application for suitability, and deposit such additional sums as are required by the Control Board to pay final costs and charges. Additionally, under Ohio law, an institutional investor, which is broadly defined and includes any corporation that holds any amount of our stock, will be required to apply for and obtain a waiver of suitability determination.

Furthermore, any person required by a gaming authority to be found suitable, who is found unsuitable by the gaming authority, may not hold directly or indirectly the beneficial ownership of any voting security or the beneficial or record ownership of any nonvoting security or any debt security of any public corporation which is registered with the gaming authority beyond the time prescribed by the gaming authority. A violation of the foregoing may constitute a criminal offense. A finding of unsuitability by a particular gaming authority impacts that person's ability to associate or affiliate with gaming licensees in that particular jurisdiction and could impact the person's ability to associate or affiliate with gaming licensees in other jurisdictions.

Many jurisdictions also require any person who acquires beneficial ownership of more than a certain percentage of voting securities of a gaming company and, in some jurisdictions, non-voting securities, typically 5%, to report the acquisition to gaming authorities, and gaming authorities may require such holders to apply for qualification or a finding of suitability, subject to limited exceptions for "institutional investors" that hold a company's voting securities for investment purposes only.

Some jurisdictions may also limit the number of gaming licenses in which a person may hold an ownership or a controlling interest. In Indiana, for example, a person may not have an ownership interest in more than two Indiana riverboat owner's licenses.

Because we have not paid dividends since the Acquisition and do not anticipate paying dividends on our common stock in the foreseeable future, holders of our common stock should not expect to receive dividends on shares of our common stock.

We have no present plans to pay cash dividends to our stockholders and, for the foreseeable future, intend to retain all of our earnings for use in our business. The declaration of any future dividends by us is within the discretion of our Board and will be dependent on our earnings, financial condition and capital requirements, as well as any other factors deemed relevant by our Board.

We are a "controlled company" within the meaning of the Nasdaq rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements.

Hamlet Holdings controls a majority of our voting common stock. As a result, we will be a "controlled company" within the meaning of Nasdaq corporate governance standards. Under the Nasdaq rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and we have elected not to comply with certain Nasdaq corporate governance requirements, including:

- the requirement that a majority of the Board consists of independent directors;
- the requirement that we have a nominating/corporate governance committee that is composed entirely of independent directors;
- the requirement that we have a compensation committee that is composed entirely of independent directors; and
- the requirement for an annual performance evaluation of the nominating/corporate governance and compensation committees.

As a result of these exemptions, we do not have a majority of independent directors nor do our nominating/corporate governance and compensation committees consist entirely of independent directors and we are not required to have an annual performance evaluation of the nominating/corporate governance and compensation committees. Accordingly, a holder of our common stock will not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq corporate governance requirements.

Our bylaws and certificate of incorporation contain provisions that could discourage another company from acquiring us and may prevent attempts by our stockholders to replace or remove our current management.

Provisions of our bylaws and our certificate of incorporation may delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace or remove our directors. These provisions include:

- establishing a classified board of directors;
- establishing limitations on the removal of directors;
- permitting only an affirmative vote of at least two-thirds of the Board to fix the number of directors;
- prohibiting cumulative voting in the election of directors;

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- empowering only the Board to fill any vacancy on the Board, whether such vacancy occurs as a result of an increase in the number of directors or otherwise;
- authorizing the issuance of “blank check” preferred stock without any need for action by stockholders;
- eliminating the ability of stockholders to call special meetings of stockholders;
- prohibiting stockholders from acting by written consent if less than 50.1% of our outstanding common stock is controlled by the Sponsors;
- prohibiting amendments to the bylaws without the affirmative vote of at least two-thirds of the Board or the affirmative vote of at least two-thirds of the total voting power of the outstanding shares entitled to vote;
- prohibiting amendments to the certificate of incorporation relating to stockholder meetings, amendments to the bylaws or certificate of incorporation, or the election or classification of the Board without the affirmative vote of two-thirds of the shares entitled to vote on any matter; and
- establishing advance notice requirements for nominations for election to the Board or for proposing matters that can be acted on by stockholders at stockholder meetings.

Our issuance of shares of preferred stock could delay or prevent a change of control of us. Our Board has the authority to cause us to issue, without any further vote or action by the stockholders, shares of preferred stock, par value \$0.01 per share, in one or more series, to designate the number of shares constituting any series, and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. The issuance of shares of preferred stock may have the effect of delaying, deferring or preventing a change in control of our company without further action by the stockholders, even where stockholders are offered a premium for their shares.

Together, these charter and statutory provisions could make the removal of management more difficult and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our common stock. Furthermore, the existence of the foregoing provisions, as well as the significant common stock controlled by Hamlet Holdings, could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition.

PRIVATE SECURITIES LITIGATION REFORM ACT

This Annual Report on Form 10-K 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. These statements can be identified by the fact that they do not relate strictly to historical or current facts. We have based these forward-looking statements on our current expectations about future events. Further, statements that include 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 may identify forward-looking statements. These forward-looking statements are found at various places throughout the report. 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 report, are necessarily estimates reflecting the best judgment of our 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. These forward-looking statements should, therefore, be considered in light of various important factors set forth above and from time to time in our filings with the Securities and Exchange Commission.

In addition to the risk factors set forth above, important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include without limitation:

- the impact of our substantial indebtedness;
- the impact, if any, of unfunded pension benefits under multi-employer pension plans;
- the effects of local and national economic, credit and capital market conditions on the economy in general, and on the gaming industry in particular;
- construction factors, including delays, increased costs of labor and materials, availability of labor and materials, zoning issues, environmental restrictions, soil and water conditions, weather and other hazards, site access matters and building permit issues;
- the effects of environmental and structural building conditions relating to our properties;

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- our ability to timely and cost-effectively integrate companies that we acquire into our operations;
- our ability to realize the expense reductions from our cost savings programs;
- access to available and reasonable financing on a timely basis;
- changes in laws, including increased tax rates, smoking bans, regulations or accounting standards, third-party relations and approvals, and decisions, disciplines and fines of courts, regulators and governmental bodies;
- litigation outcomes and judicial and governmental body actions, including gaming legislative action, referenda, regulatory disciplinary actions and fines and taxation;
- the ability of our customer-tracking, customer loyalty and yield-management programs to continue to increase customer loyalty and same-store or hotel sales;
- our ability to recoup costs of capital investments through higher revenues;
- acts of war or terrorist incidents, severe weather conditions, uprisings or natural disasters;
- access to insurance on reasonable terms for our assets;
- abnormal gaming holds (“gaming hold” is the amount of money that is retained by the casino from wagers by customers);
- the potential difficulties in employee retention and recruitment as a result of our substantial indebtedness, the ongoing downturn in the gaming industry, or any other factor;
- the effects of competition, including locations of competitors and operating and market competition; and
- the other factors set forth under “Risk Factors” above.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. We undertake no obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Annual Report on Form 10-K or to reflect the occurrence of unanticipated events, except as required by law.

ITEM 1B. Unresolved Staff Comments

None.

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ITEM 2. Properties

The following table sets forth information about our casino entertainment facilities as of December 31, 2011:

Summary of Property Information

<u>Property</u>	<u>Type of Casino</u>	<u>Casino Space— Sq. Ft. (a)</u>	<u>Slot Machines (a)</u>	<u>Table Games (a)</u>	<u>Hotel Rooms & Suites (a)</u>
<i>Atlantic City, New Jersey</i>					
Harrah's Atlantic City	Land-based	179,800	2,870	180	2,590
Showboat Atlantic City	Land-based	120,100	2,600	110	1,330
Bally's Atlantic City	Land-based	167,200	3,270	210	1,730
Caesars Atlantic City	Land-based	140,800	2,340	180	1,140
<i>Las Vegas, Nevada</i>					
Harrah's Las Vegas	Land-based	90,600	1,370	110	2,530
Rio	Land-based	117,300	1,090	90	2,520
Caesars Palace	Land-based	136,500	1,370	180	3,950
Paris Las Vegas	Land-based	95,300	1,070	90	2,920
Bally's Las Vegas	Land-based	66,200	1,010	60	2,810
Flamingo Las Vegas ^(b)	Land-based	89,000	1,350	160	3,460
Imperial Palace	Land-based	118,000	780	50	2,550
Bill's Gamblin' Hall & Saloon	Land-based	42,500	360	50	200
Hot Spot Oasis	Land-based	1,000	15	—	—
Planet Hollywood Resort and Casino	Land-based	108,900	1,130	90	2,500
<i>Laughlin, Nevada</i>					
Harrah's Laughlin	Land-based	56,000	900	40	1,510
<i>Reno, Nevada</i>					
Harrah's Reno	Land-based	41,600	800	40	930
<i>Lake Tahoe, Nevada</i>					
Harrah's Lake Tahoe	Land-based	57,500	810	70	510
Harveys Lake Tahoe	Land-based	71,500	770	70	740
<i>Chicago, Illinois area</i>					
Harrah's Joliet (Illinois) ^(c)	Dockside	38,900	1,140	30	200
Horseshoe Hammond (Indiana)	Dockside	108,200	3,060	150	—
<i>Metropolis, Illinois</i>					
Harrah's Metropolis	Dockside	31,000	1,160	30	260
<i>Southern Indiana</i>					
Horseshoe Southern Indiana	Dockside	86,600	1,770	110	500
<i>Council Bluffs, Iowa</i>					
Harrah's Council Bluffs	Dockside	28,000	800	30	250
Horseshoe Council Bluffs ^(d)	Greyhound racing facility and land-based casino	78,800	1,740	70	—
<i>Tunica, Mississippi</i>					
Horseshoe Tunica	Dockside	63,000	1,470	90	510
Harrah's Tunica	Dockside	136,000	1,350	70	1,360
Tunica Roadhouse Hotel & Casino	Dockside	31,000	770	20	130
<i>Mississippi Gulf Coast</i>					
Grand Casino Biloxi	Dockside	28,800	750	30	490
<i>St. Louis, Missouri</i>					
Harrah's St. Louis	Dockside	109,000	2,430	90	500
<i>North Kansas City, Missouri</i>					
Harrah's North Kansas City	Dockside	60,100	1,530	60	390

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<u>Property</u>	<u>Type of Casino</u>	<u>Casino Space— Sq. Ft. (a)</u>	<u>Slot Machines (a)</u>	<u>Table Games (a)</u>	<u>Hotel Rooms & Suites (a)</u>
<i>New Orleans, Louisiana</i> Harrah's New Orleans	Land-based	125,100	1,990	120	450
<i>Bossier City, Louisiana</i> Louisiana Downs ^(e)	Thoroughbred racing facility and land- based casino	14,900	1,070	—	—
Horseshoe Bossier City	Dockside	29,900	1,340	80	610
<i>Chester, Pennsylvania</i> Harrah's Chester ^(f)	Harness racing facility and land based casino	110,500	3,000	130	—
<i>Phoenix, Arizona</i> Harrah's Ak-Chin ^(g)	Indian Reservation	38,300	1,100	30	300
<i>Cherokee, North Carolina</i> Harrah's Cherokee ^(g)	Indian Reservation	138,800	3,120	50	1,110
<i>San Diego, California</i> Harrah's Rincon ^(g)	Indian Reservation	72,900	1,990	70	660
<i>Punta del Este, Uruguay</i> Conrad Punta del Este Resort and Casino ^(h)	Land-based	44,500	520	70	300
<i>Ontario, Canada</i> Caesars Windsor ⁽ⁱ⁾	Land-based	100,000	2,330	80	760
<i>United Kingdom</i> Golden Nugget	Land-based	5,100	50	20	—
Playboy Club London	Land-based	6,200	20	20	—
The Sportsman	Land-based	5,200	50	20	—
Rendezvous Brighton	Land-based	7,800	80	30	—
Rendezvous Southend-on-Sea	Land-based	8,700	50	30	—
Manchester235	Land-based	11,500	60	40	—
The Casino at the Empire	Land-based	20,900	130	40	—
Alea Nottingham	Land-based	10,000	50	20	—
Alea Glasgow	Land-based	15,000	50	30	—
Alea Leeds	Land-based	10,300	50	30	—
<i>Egypt</i> The London Clubs Cairo-Ramses ^(g)	Land-based	2,700	40	20	—
Caesars Cairo ^(g)	Land-based	5,500	30	30	—
<i>South Africa</i> Emerald Safari ⁽ⁱ⁾	Land-based	37,700	660	30	190

(a) Approximate.

(b) Information includes O'Shea's Casino, which is adjacent to this property.

(c) We have an 80% ownership interest in and manage this property.

(d) The property is owned by the Company, leased to the operator, and managed by the Company for the operator for a fee pursuant to an agreement that expires in October 2024. This information includes the Bluffs Run greyhound racetrack that operates at the property.

(e) We own a 49% share of a joint venture that owns a 150-room hotel located near the property.

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- (f) At December 31, 2011, we had a 95% ownership interest in and manage this property. In February 2012, we purchased an additional 4.5% interest, bringing our total ownership interest in this property to 99.5%.
- (g) Managed.
- (h) We have approximately a 95% ownership interest and manage this property.
- (i) We have a 50% ownership interest in Windsor Casino Limited, which operates this property. The Province of Ontario owns the complex.
- (j) We have a 70% ownership interest in and manage this property.

ITEM 3. Legal Proceedings

The Company is party to ordinary and routine litigation incidental to our business. We do not expect the outcome of any pending litigation to have a material adverse effect on our consolidated financial position or results of operations.

ITEM 4. Mine Safety Disclosures

Not applicable

PART II**ITEM 5. Market for the Company's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Effective February 8, 2012, our common stock trades on the NASDAQ Global Select Market under the symbol "CZR." Subsequent to the Acquisition in 2008, and prior to the above date, our outstanding common stock was privately held, and there was no established public trading market for our common stock; therefore, there are no high and low sales prices for the common stock available for 2011 and 2010.

The following table sets forth repurchases of our equity securities during the fourth quarter of the fiscal year covered by this report after giving effect to the 1.742-for-one stock split effected by the Company in February 2012:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</u>
10/1/2011 – 10/31/2011	—	—	—	—
11/1/2011 – 11/30/2011	—	—	—	—
12/1/2011 – 12/31/2011	6,272	\$ 20.09	—	—

As of March 9, 2012, there were 125,297,197 shares of common stock issues and outstanding that were held by 230 stockholders of record.

We did not pay any cash dividends in the years ended December 31, 2011, 2010, or 2009.

There have not been any sales by the Company of equity securities in the last fiscal year that have not been registered under the Securities Act of 1933.

ITEM 6. Selected Financial Data

The selected financial data set forth below for the periods indicated, should be read in conjunction with the consolidated financial statements and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, included elsewhere in this Form 10-K.

(In millions, except per share data)	Successor				Predecessor	
	2011 (a)	2010 (b)	2009 (c)	Jan. 28, 2008 through Dec. 31, 2008 (d)	Jan. 1, 2008 through Jan. 27, 2008 (e)	2007 (f)
OPERATING DATA						
Net revenues	\$ 8,834.5	\$ 8,818.6	\$ 8,907.4	\$ 9,366.9	\$ 760.1	\$10,825.2
Income/(loss) from operations	\$ 875.5	\$ 532.3	\$ (607.8)	\$ (4,237.5)	\$ (36.8)	\$ 1,652.0
Net (loss)/income	\$ (666.7)	\$ (823.3)	\$ 846.4	\$ (5,174.7)	\$ (99.4)	\$ 542.4
Net (loss)/income attributable to Caesars	\$ (687.6)	\$ (831.1)	\$ 827.6	\$ (5,096.3)	\$ (100.9)	\$ 619.4
COMMON STOCK DATA						
Diluted (loss)/earnings per share (g)						
From continuing operations	\$ (5.50)	\$ (8.37)	\$ 3.95	\$ (77.26)	\$ (0.54)	\$ 2.77
Net (loss)/income	\$ (5.50)	\$ (8.37)	\$ 3.95	\$ (75.99)	\$ (0.54)	\$ 3.25
Cash dividends declared per share	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1.60
FINANCIAL POSITION DATA						
Total assets	\$28,515.6	\$28,587.7	\$28,979.2	\$ 31,048.6	\$ 23,371.3	\$23,357.7
Long-term debt	\$19,759.5	\$18,785.5	\$18,868.8	\$ 23,123.3	\$ 12,367.5	\$12,429.6
Stockholders' equity/(deficit)	\$ 1,053.4	\$ 1,672.6	\$ (867.0)	\$ (1,360.8)	\$ 6,733.4	\$ 6,679.1

- (a) The full year results of 2011 include \$47.9 million in pre-tax gains on early extinguishments of debt, \$11.0 million in pre-tax charges for impairment of goodwill and other non-amortizing intangible assets, and \$96.0 million in net pre-tax charges for write-downs, reserves, recoveries, and project opening costs.
- (b) The full year results of 2010 include \$115.6 million in pre-tax gains on early extinguishments of debt, \$193.0 million in pre-tax charges for impairment of goodwill and other non-amortizing intangible assets, and \$149.7 million in net pre-tax charges for write-downs, reserves, recoveries, and project opening costs.
- (c) The full year results of 2009 include \$4,965.5 million in pre-tax gains on early extinguishments of debt, \$1,638.0 million in pre-tax charges for impairment of goodwill and other non-amortizing intangible assets, and \$111.5 million in net pre-tax charges for write-downs, reserves, recoveries, and project opening costs.
- (d) The Successor period of 2008 includes \$5,489.6 million in pre-tax charges for impairment of goodwill and other non-amortizing intangible assets, \$742.1 million in pre-tax gains on early extinguishment of debt, \$24.0 million in pre-tax charges related to the sale of the Company, and \$45.1 million in net pre-tax charges for write-downs, reserves, recoveries, and project opening costs.
- (e) The Predecessor period of 2008 includes \$5.4 million in net pre-tax charges for write-downs, reserves, recoveries, and project opening costs and \$125.6 million in pre-tax charges related to the sale of the Company.
- (f) The full year results of 2007 include \$34.4 million in net pre-tax credits for write-downs, reserves, recoveries, and project opening costs and \$13.4 million in pre-tax charges related to the proposed sale of the Company. The 2007 results also include the financial results of Bill's Gamblin' Hall & Saloon from its February 27, 2007 date of acquisition and Caesars Golf Macau from its September 12, 2007 date of acquisition.
- (g) As adjusted to reflect the impact of the February 2012 1.742-for-one split of our common stock on the years ended December 31, 2011, 2010, 2009 and January 28, 2008 through December 31, 2008. As the Predecessor operated under a different capital structure than the Successor, the earnings per share data does not reflect the stock split for the period from January 1, 2008 through January 27, 2008 and for the year ended December 31, 2007 (Predecessor).

ITEM 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with, and is qualified in its entirety by, the audited consolidated financial statements and the notes thereto and other financial information included elsewhere in this Form 10-K. Certain statements in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” are forward-looking statements. See “ITEM 1A. Risk Factors—PRIVATE SECURITIES LITIGATION REFORM ACT.”

OVERVIEW

We are the world’s most diversified casino-entertainment provider and the most geographically diverse U.S. casino-entertainment company. As of December 31, 2011, we owned, operated, or managed, through various subsidiaries, 52 casinos in 12 U.S. states and seven countries. The majority of these casinos operate in the United States and England. Our casino entertainment facilities operate primarily under the Harrah’s, Caesars, and Horseshoe brand names in the United States. Our casino entertainment facilities include 33 land-based casinos, 12 riverboat or dockside casinos, three managed casinos on Indian lands in the United States, one managed casino in Canada, one casino combined with a greyhound racetrack, one casino combined with a thoroughbred racetrack, and one casino combined with a harness racetrack. Our 33 land-based casinos include one in Uruguay, nine in England, one in Scotland, two in Egypt, and one in South Africa. As of December 31, 2011, our facilities had an aggregate of approximately three million square feet of gaming space and approximately 43,000 hotel rooms. Our industry-leading customer loyalty program, Total Rewards, has over 40 million members. We use the Total Rewards system to market promotions and to generate customer play across our network of properties. In addition, we own an online gaming business, providing for real money casino, bingo, and poker games in the United Kingdom, alliances with online gaming providers in Italy and France, “play for fun” offerings in other jurisdictions, social games on Facebook and other social media websites, and mobile application platforms. We also own and operate the World Series of Poker tournament and brand.

REGIONAL AGGREGATION

The executive officers of our Company review operating results, assess performance, and make decisions related to the allocation of resources on a property-by-property basis. We believe, therefore, that each property is an operating segment and that it is appropriate to aggregate and present the operations of our Company as one reportable segment. To provide more meaningful information than would be possible on a consolidated basis, our casino properties (as of December 31, 2011, or otherwise noted below) have been grouped into seven regions as follows to facilitate discussion of our operating results:

<u>Las Vegas</u>	<u>Atlantic City</u>	<u>Louisiana/Mississippi</u>	<u>Iowa/Missouri</u>
Caesars Palace	Harrah’s Atlantic City	Harrah’s New Orleans	Harrah’s St. Louis
Bally’s Las Vegas	Showboat Atlantic City	Harrah’s Louisiana Downs	Harrah’s North Kansas City
Flamingo Las Vegas ^(a)	Bally’s Atlantic City	Horseshoe Bossier City	Harrah’s Council Bluffs
Harrah’s Las Vegas	Caesars Atlantic City	Grand Biloxi	
Paris Las Vegas	Harrah’s Chester ^(b)	Harrah’s Tunica	Horseshoe Council Bluffs/Bluffs Run
Rio		Horseshoe Tunica	
Imperial Palace		Tunica Roadhouse Hotel & Casino	
Bill’s Gamblin’ Hall & Saloon			
Planet Hollywood Resort & Casino ^(b)			
<u>Illinois/Indiana</u>	<u>Other Nevada</u>	<u>Managed/International and Other</u>	
Horseshoe Southern Indiana	Harrah’s Reno	Harrah’s Ak-Chin ^(e)	
Harrah’s Joliet ^(d)	Harrah’s Lake Tahoe	Harrah’s Cherokee ^(e)	
Horseshoe Hammond	Harveys Lake Tahoe	Harrah’s Rincon ^(e)	
Harrah’s Metropolis	Harrah’s Laughlin	Conrad Punta del Este ^(c)	
		Caesars Windsor ^(f)	
		London Clubs International ^(g)	

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- (a) Includes O'Shea's Casino, which is adjacent to this property.
- (b) Acquired February 2010.
- (c) We have an approximately 95% ownership interest in and manage this property.
- (d) We have an 80% ownership interest in and manage this property.
- (e) Managed.
- (f) We have a 50% ownership interest in Windsor Casino Limited, which operates this property. The province of Ontario owns the complex.
- (g) We own, operate, or manage 10 casino clubs in the provinces of the United Kingdom and two in Egypt. We have a 70% ownership interest in and manage one casino club in South Africa.
- (h) At December 31, 2011, we had a 95% ownership interest in and manage this property. In February 2012, we purchased an additional 4.5% interest, bringing our total ownership interest in this property to 99.5%.

CONSOLIDATED OPERATING RESULTS

(\$ in millions)	2011	2010	2009	Percentage Favorable/(Unfavorable)	
				2011 vs. 2010	2010 vs. 2009
Casino revenues	\$6,637.1	\$6,917.9	\$7,124.3	(4.1)%	(2.9)%
Net revenues	8,834.5	8,818.6	8,907.4	0.2%	(1.0)%
Income/(loss) from operations	875.5	532.3	(607.8)	64.5%	*
Net (loss)/income attributable to Caesars	(687.6)	(831.1)	827.6	17.3%	*
Operating margin**	9.9%	6.0%	(6.8)%	3.9 pts	12.8 pts

* Not meaningful

** Operating margin is calculated as income/(loss) from operations divided by net revenues for the respective period.

Year ended December 31, 2011 compared to December 31, 2010

Despite a decline in casino revenues, net revenues for 2011 were \$8,834.5 million, an increase of \$15.9 million, or 0.2%, from 2010, as favorable results in Las Vegas and from our international and online businesses, including revenues related to Playtika, which we acquired during the year, were somewhat offset by revenue declines at properties in the Midwest and Atlantic City.

For 2011, income from operations increased \$343.2 million, or 64.5%, to \$875.5 million from 2010. This increase was due mainly to a \$182.0 million decrease from 2010 in impairment charges related to goodwill and other non-amortizing intangible assets, the effects of cost-reduction efforts under cost savings programs, including Project Renewal, and a \$53.7 million reduction in write-downs, reserves, recoveries, and project opening costs.

Net loss attributable to Caesars for 2011 decreased 17.3% to \$687.6 million from \$831.1 million in 2010, due primarily to higher income from operations and an increase in the benefit for income taxes, partially offset by higher interest expense in 2011, due mainly to certain interest rate swaps no longer qualifying for hedge accounting and gains on the early extinguishment of debt recognized in 2010 that were not as significant in 2011.

Year ended December 31, 2010 compared to December 31, 2009

Our 2010 net revenues decreased 1.0% to \$8,818.6 million from \$8,907.4 million in 2009, as incremental revenues associated with our February 2010 acquisition of Planet Hollywood were unable to offset the continuing impact of the weak economic environment on customers' discretionary spending.

Income from operations for 2010 was \$532.3 million, compared with a loss from operations of \$607.8 million for the same period in 2009. Included in income/(loss) from operations for 2010 and 2009 were impairment charges for goodwill and other non-amortizing intangible assets totaling \$193.0 million and \$1,638.0 million, respectively. Prior to consideration of these impairment charges, income from operations for 2010 decreased to \$725.3 million from \$1,030.2 million in the prior year. The decline was driven by the income impact of reduced revenues and the contingent liability reserve and asset reserve charges recorded during 2010 described above, which were partially offset by a tangible asset impairment charge in 2009 that did not recur in 2010 and a favorable \$23.5 million property tax accrual adjustment recorded in 2010.

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Net loss attributable to Caesars for 2010 was \$831.1 million compared with net income attributable to Caesars of \$827.6 million for 2009. The loss for 2010 included (i) the aforementioned impairment charges for intangible assets and (ii) pre-tax gains related to the early extinguishment of debt of \$115.6 million. The income for 2009 included (i) the aforementioned impairment charges for intangible assets and (ii) pre-tax gains related to the early extinguishment of debt of \$4,965.5 million. Gains on early extinguishments of debt in 2009 represented discounts related to the exchange of certain outstanding debt for new debt in the second quarter, CMBS debt repurchases in the fourth quarter, and purchases of certain of our debt in the open market during 2009. The gains were partially offset by the write-off of market value premiums and unamortized debt issue costs. These events are discussed more fully in the “Liquidity and Capital Resources” section that follows herein.

Performance Metrics

The Company measures its performance in part through tracking of trips by rated customers, which means a customer whose gaming activity is tracked through our Total Rewards customer-loyalty system (“trips”), and by spend per rated customer trip (“spend per trip”). A trip is created by a Total Rewards card holder engaging in one or more of the following activities while at one of our properties: (1) hotel stay, (2) gaming activity, or (3) a comp redemption, which means the receipt of a complimentary item given out by our casinos. In markets where we have multiple properties, customers often engage in trip generating activities at more than one property in a day. In these instances, we consider the market as a whole and do not count multiple trips. 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. For the Atlantic City region, the Company refers to customers that stay at a hotel in one of our properties as lodgers and customers that may play at a casino located in one of our properties but do not stay at a hotel at such property as non-lodgers.

The following table reflects the percentage increase/(decrease) in trips and spend per trip for the U.S. regions for 2011 as compared to 2010.

	<u>Trips</u>	<u>Spend per Trip</u>
Consolidated Caesars	(6.8)%	3.6%
Las Vegas region	2.5%	2.7%
Atlantic City region:		
Lodgers	(0.2)%	(2.2)%
Non-lodgers	(5.6)%	(0.7)%
All other regions	(9.7)%	3.2%

For 2011, trips on a consolidated basis declined from 2010 due to (i) new competition in the Atlantic City, Iowa/Missouri, and Illinois/Indiana regions, (ii) reduced access to one of our properties due to a bridge closure in the Illinois/Indiana region beginning in the first week of September 2011 that reopened in February 2012, (iii) temporary closures in the Atlantic City region during the third quarter of 2011 due to Hurricane Irene, (iv) temporary closures of seven properties in the Illinois/Indiana and Louisiana/Mississippi regions during the first half of 2011 due to flooding and severe weather conditions, and (v) the impact of marketing programs on trip frequency of certain customer segments in all U.S. regions. These decreases in trips were partially offset by an increase in trips for the Las Vegas region during 2011.

On a consolidated basis, cash average daily room rates for 2011 increased to \$91 from \$86, or 6.4%, when compared to 2010. Total occupancy percentages in 2011 increased 1.4 percentage points when compared to 2010.

The following table reflects the percentage increase/(decrease) in trips and spend per trip for our U.S. regions for 2010 as compared to 2009.

	<u>Trips</u>	<u>Spend per Trip</u>
Consolidated Caesars	(2.1)%	(1.6)%
Las Vegas region	1.6%	(2.3)%
Atlantic City region:		
Lodgers	(4.3)%	(3.9)%
Non-lodgers	(0.1)%	(7.8)%
All other regions	(3.5)%	1.3%

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For 2010, trips on a consolidated basis, declined from 2009 as a result of new competition in the Atlantic City and Iowa/Missouri regions, the impact of the weak economic environment, and mid-2010 introduction of table games in the Pennsylvania market. These decreases in trips were partially offset by an increase in trips for the Las Vegas region during 2010.

On a consolidated basis, cash average daily room rates for 2010 decreased to \$86 from \$88, or 3.1%, when compared to 2009. Total occupancy percentages in 2010 increased 1.1 percentage points when compared to 2009.

REGIONAL OPERATING RESULTS

Las Vegas Region

(\$ in millions)	2011	2010	2009	Percentage Favorable/(Unfavorable)	
				2011 vs. 2010	2010 vs. 2009
Casino revenues	\$1,582.5	\$1,544.4	\$1,476.0	2.5%	4.6%
Net revenues	3,013.1	2,834.8	2,698.0	6.3%	5.1%
Income/(loss) from operations	495.5	349.9	(681.0)	41.6%	*
Operating margin**	16.4%	12.3%	(25.2)%	4.1 pts	37.5 pts

* Not meaningful

** Operating margin is calculated as income/(loss) from operations divided by net revenues for the respective period.

Strengthening fundamentals in the overall Las Vegas market positively impacted the Company's results in the region. Increases in trips, spend per trip, cash average daily room rates, and total occupancy contributed to a \$178.3 million, or 6.3% increase in the Company's Las Vegas region net revenues for 2011 from 2010. Hotel revenues in the region increased 11.4%, cash average daily room rates increased 8.0% to \$92 from \$85 and total occupancy percentages rose 3.2 percentage points for 2011, marking our highest occupancy percentage in the Las Vegas region in six years. For 2011, income from operations increased \$145.6 million, or 41.6%, from 2010 due to the impact of increased revenues and a decrease in remediation costs related to the properties in the region.

For 2010, hotel occupancy remained above 90%, and net revenues increased 5.1% in the Las Vegas region from 2009 due to the Planet Hollywood acquisition in February 2010. On a same-store basis, revenues declined 3.5% for 2010, resulting primarily from decreased spend per trip. Increased labor and depreciation expenses in the region combined with the income impact of reduced same-store revenues resulted in reduced income from operations for 2010, before consideration of impairment charges. Income from operations for 2010 includes incremental depreciation associated with the Caesars Palace expansions placed into service late in 2009, increased levels of remediation costs during 2010 at two properties within the region, and the write-off of assets associated with certain capital projects. Loss from operations for 2009 includes charges of \$1,130.9 million related to impairment of intangible assets in the region. Increased labor and depreciation expenses in the region combined with the income impact of reduced same-store revenues resulted in reduced income from operations for 2010, before consideration of the 2009 impairment charges. Income from operations for 2010 includes incremental depreciation associated with the Caesars Palace expansions placed into service late in 2009, increased levels of remediation costs during 2010 at two properties within the region, and the write-off of assets associated with certain capital projects.

The opening of the 662-room Octavius Tower in early January 2012 marked the substantial completion of the \$860 million Caesars Palace expansion announced in 2007. In addition to the tower, the expansion included 110,000-square-feet of additional meeting and convention space, three 10,000-square-foot luxury villa suites, and an expanded pool and garden area.

During 2011, we also commenced construction on Project Linq, a dining, entertainment, and retail development between our Flamingo and Imperial Palace casinos, on the east side of the Las Vegas Strip, which is scheduled to open in phases in mid to late 2013. See Note 7, "Debt—Octavius and Linq Projects," for discussion of the financing related to these projects.

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Atlantic City Region

(\$ in millions)	2011	2010	2009	Percentage Favorable/(Unfavorable)	
				2011 vs. 2010	2010 vs. 2009
Casino revenues	\$1,584.9	\$1,696.8	\$1,894.5	(6.6)%	(10.4)%
Net revenues	1,839.1	1,899.9	2,025.9	(3.2)%	(6.2)%
Income from operations	79.6	83.7	28.3	(4.9)%	195.8%
Operating margin**	4.3%	4.4%	1.4%	(0.1) pts	3.0 pts

** Operating margin is calculated as income/(loss) from operations divided by net revenues for the respective period.

Atlantic City region net revenues declined \$60.8 million, or 3.2%, for 2011 from 2010 due to declines in trips and spend per trip in both lodger and non-lodger segments. Trip declines resulted from temporary closures of the properties in the region during the third quarter of 2011 due to Hurricane Irene, the continued effect of competition from new casinos and the mid-2010 introduction of table games in the Pennsylvania market. Income from operations declined \$4.1 million, or 4.9%, for 2011 from 2010 due to lower revenues, which was mostly offset by reduced property operating expenses as a result of our cost reduction activities.

Reduced spend per trip, declines in overall trip frequency and increased competition from other markets, including the mid-2010 introduction of table games in the Pennsylvania market, led to lower Atlantic City region revenues during 2010. Income from operations for 2009 included a charge of \$178.7 million related to impairment of goodwill and other non-amortizing intangible assets at certain of the region's properties. Income from operations for 2010 was lower than the prior year, prior to consideration of the impairment charge, as cost-saving initiatives were unable to offset the income impact of reduced revenues and increased marketing and labor-related expenses.

Louisiana/Mississippi Region

(\$ in millions)	2011	2010	2009	Percentage Favorable/(Unfavorable)	
				2011 vs. 2010	2010 vs. 2009
Casino revenues	\$1,012.0	\$1,096.4	\$1,140.8	(7.7)%	(3.9)%
Net revenues	1,104.4	1,193.4	1,245.2	(7.5)%	(4.2)%
Income from operations	122.0	69.9	181.4	74.5%	(61.5)%
Operating margin**	11.0%	5.9%	14.6%	5.1 pts	(8.7) pts

** Operating margin is calculated as income/(loss) from operations divided by net revenues for the respective period.

Louisiana/Mississippi region net revenues decreased \$89.0 million, or 7.5%, for 2011 from 2010 due to a decrease in trips, which were negatively impacted by the temporary closure of three properties in the first half of 2011 due to flooding and severe weather conditions. Income from operations increased \$52.1 million, or 74.5%, in 2011 from 2010. This increase was due mainly to reduced property operating expenses and a \$48.0 million decrease from 2010 in impairment charges related to goodwill and other non-amortizing intangible assets, partially offset by the impact of lower revenues. Certain costs incurred during 2011 in connection with the closures of several properties due to flooding were not expensed but instead have been recovered from, or recorded as receivables from, third-party insurance providers.

For 2010, reduced trips and spend per trip unfavorably impacted the Louisiana/ Mississippi region revenues. Income from operations for 2010 included a charge of \$51.0 million related to impairment of goodwill and other non-amortizing intangible assets at one of the region's properties. Income from operations for 2009 included a charge of \$6.0 million related to impairment of intangible assets at one of the region's properties. Income from operations for 2010 was lower than in 2009, prior to consideration of impairment charges, as cost-saving initiatives were unable to offset the income impact of reduced revenues and increased marketing expenses.

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Iowa/Missouri Region

(\$ in millions)	2011	2010	2009	Percentage Favorable/(Unfavorable)	
				2011 vs. 2010	2010 vs. 2009
Casino revenues	\$678.3	\$688.4	\$707.3	(1.5)%	(2.7)%
Net revenues	724.4	735.4	756.6	(1.5)%	(2.8)%
Income from operations	180.9	171.0	187.5	5.8%	(8.8)%
Operating margin**	25.0%	23.3%	24.8%	1.7 pts	(1.5) pts

** Operating margin is calculated as income/(loss) from operations divided by net revenues for the respective period.

Iowa/Missouri region net revenues declined \$11.0 million, or 1.5%, for 2011 from 2010 as the impact of higher spend per trip was more than offset by lower trips largely resulting from modifications to marketing programs to certain customer segments. For 2011, income from operations increased \$9.9 million, or 5.8%, from 2010. This increase was due mainly to a \$9.0 million decrease from 2010 in impairment charges related to goodwill and other non-amortizing intangible assets, while the decrease in net revenues was offset by lower property operating expenses as a result of our cost reduction activities.

For 2010, revenues in the region declined from 2009 due to new competition in the region and lower spend per trip. Income from operations for 2010 included a charge of \$9.0 million related to impairment of goodwill and other non-amortizing intangible assets at one of the region's properties. Income from operations for 2010 declined from 2009 primarily due to the income impact of revenue declines.

Illinois/Indiana Region

(\$ in millions)	2011	2010	2009	Percentage Favorable/(Unfavorable)	
				2011 vs. 2010	2010 vs. 2009
Casino revenues	\$1,010.9	\$1,152.9	\$1,180.7	(12.3)%	(2.4)%
Net revenues	1,059.5	1,160.1	1,172.3	(8.7)%	(1.0)%
Income/(loss) from operations	145.8	119.0	(35.4)	22.5%	*
Operating margin**	13.8%	10.3%	(3.0)%	3.5 pts	13.3 pts

* Not meaningful

** Operating margin is calculated as income/(loss) from operations divided by net revenues for the respective period.

Despite an increase in spend per trip, Illinois/Indiana region net revenues decreased \$100.6 million, or 8.7%, for 2011 from 2010, as trips declined due to the impact of temporary closures of four properties in the first half of 2011 as a result of flooding and severe weather conditions, reduced access to one of our properties in the region resulting from a bridge closure beginning in the first week of September 2011 that reopened in February 2012, and new competition. Income from operations for 2011 increased \$26.8 million, or 22.5%, to \$145.8 million from \$119.0 million in 2010. This increase was primarily due to lower property operating expenses and a \$58.0 million decrease from 2010 in impairment charges related to goodwill and other non-amortizing intangible assets, partially offset by the impact of lower revenues and a favorable \$23.5 million property tax adjustment recorded in the fourth quarter of 2010 that did not recur in 2011.

Revenues in the region decreased for 2010 from 2009 due to decreased spend per trip. Income from operations for 2010 included a charge of \$58.0 million related to impairment of goodwill and other non-amortizing intangible assets at certain of the region's properties, partially offset by a favorable \$23.5 million property tax accrual adjustment recorded in 2010 as mentioned above. Loss from operations for 2009 included a charge of \$180.7 million related to impairment of intangible assets at certain of the region's properties. Income from operations, prior to consideration of impairment charges, increased for 2010 relative to 2009 as a result of reduced marketing expenses and the aforementioned property tax accrual adjustment.

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Other Nevada Region

(\$ in millions)	2011	2010	2009	Percentage Favorable/(Unfavorable)	
				2011 vs. 2010	2010 vs. 2009
Casino revenues	\$ 349.8	\$ 351.0	\$ 372.0	(0.3)%	(5.6)%
Net revenues	450.0	447.5	472.6	0.6%	(5.3)%
Income/(loss) from operations	46.6	(13.9)	47.3	*	*
Operating margin**	10.4%	(3.1)%	10.0%	13.5 pts	(13.1) pts

* Not meaningful

** Operating margin is calculated as income/(loss) from operations divided by net revenues for the respective period.

Net revenues in the Other Nevada region for 2011 increased slightly from 2010 as an increase in number of trips more than offset a decrease in spend per trip. Income/(loss) from operations improved by \$60.5 million for 2011 from 2010 primarily due to a \$49.0 million decrease in impairment charges related to goodwill and other non-amortizing intangible assets, higher net revenues and lower property operating expenses.

Results for 2010 in the region declined from 2009 due to reduced trips and decreased spend per trip. Also contributing to the decline in income from operations for 2010 was a charge of \$49.0 million related to the impairment of goodwill and other non-amortizing intangible assets at one of the region's properties.

Managed, International and Other

Managed, International and Other results include our three Managed, Indian-owned casinos and Thistledown Racetrack, the results of our International properties, and Other, which is comprised of corporate expenses, including administrative, marketing and development costs; income from certain non-consolidated affiliates and the results of Caesars Interactive Entertainment, which consists of the businesses related to our World Series of Poker® ("WSOP") brand, our online real money business in the U.K. and alliances with online gaming providers in Italy and France, and "for fun" gaming offerings, including the results of recently acquired Playtika Ltd., a social media and mobile gaming business, since the date of our initial acquisition.

(\$ in millions)	2011	2010	2009	Percent Favorable/(Unfavorable)	
				2011 vs. 2010	2010 vs. 2009
Net revenues					
Managed	\$ 48.1	\$ 43.9	\$ 56.3	9.6%	(22.0)%
International	462.2	431.1	403.8	7.2%	6.8%
Other	133.7	72.5	76.7	84.4%	(5.5)%
Total net revenues	<u>\$ 644.0</u>	<u>\$ 547.5</u>	<u>\$ 536.8</u>	17.6%	2.0%
(Loss)/income from operations					
Managed	6.0	11.9	19.4	(49.6)%	(38.7)%
International	38.8	10.5	(23.0)	269.5%	*
Other	(239.7)	(269.7)	(332.3)	11.1%	18.8%
Total loss from operations	<u>\$(194.9)</u>	<u>\$(247.3)</u>	<u>\$(335.9)</u>	21.2%	26.4%
Operating margin**					
Managed	12.5%	27.1%	34.5%	(14.6) pts	(7.4) pts
International	8.4%	2.4%	(5.7)%	6.0 pts	8.1 pts
Other	(179.3)%	(372.0)%	(433.2)%	192.7 pts	61.2 pts
Total operating margin	<u>(30.3)%</u>	<u>(45.2)%</u>	<u>(62.6)%</u>	14.9 pts	17.4 pts

* Not meaningful

** Operating margin is calculated as income/(loss) from operations divided by net revenues for the respective period.

Net revenues in the Managed, International, and Other businesses, for 2011, increased \$96.5 million, or 17.6%, from 2010 due mainly to increases in spend per trip at the Company's Uruguay and London Clubs properties and to the addition of revenues from our 2011 acquisition of Playtika. Net revenues for 2011 increased despite declines experienced by our two properties in Egypt due to uprisings earlier in the year. Loss from operations decreased \$52.4 million, or 21.2%, due to the

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strong performance of our international businesses and the results of our online businesses, and by an \$18.0 million decrease from 2010 in impairment charges related to goodwill and other non-amortizing intangible assets, partially offset by lower results at Thistledown Racetrack.

Net revenues for 2010 increased over 2009 primarily due to increased visitation and increased spend per trip at our Uruguay and London Clubs properties. Income from operations for 2010 included a charge of \$6.0 million related to impairment of goodwill and other non-amortizing intangible assets at our international properties. Income from operations for 2009 included a charge of \$31.0 million related to impairment of goodwill and other non-amortizing intangible assets. Prior to consideration of impairment charges, income from operations increased slightly for 2010 when compared with 2009 due to strong revenue performance and cost-saving initiatives at our international properties, offset in part by lower income from our managed properties.

OTHER FACTORS AFFECTING NET INCOME

Expense/(income) (In millions)				Percentage Favorable/(Unfavorable)	
	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
Write-downs, reserves, recoveries, and project opening costs	\$ 96.0	\$ 149.7	\$ 111.5	35.9%	(34.3)%
Impairment of goodwill and other non-amortizing intangible assets	11.0	193.0	1,638.0	*	*
Corporate expense	152.8	140.9	150.7	(8.4)%	6.5%
Amortization of intangible assets	156.7	160.8	174.8	2.5%	8.0%
Interest expense, net of interest capitalized	2,122.3	1,981.6	1,892.5	(7.1)%	(4.7)%
Gains on early extinguishments of debt	(47.9)	(115.6)	(4,965.5)	(58.6)%	(97.7)%
Other income, including interest income	(25.3)	(41.7)	(33.0)	(39.3)%	26.4%
(Benefit)/provision for income taxes	(506.9)	(468.7)	1,651.8	8.2%	*

* Not meaningful

Write-downs, reserves, recoveries, and project opening costs

Given the nature of the transactions included within write-downs, reserves, recoveries, and project opening costs, these amounts are not expected to be comparable from year-to-year, nor are the amounts expected to follow any particular trend.

Write-downs, reserves, recoveries, and project opening costs for 2011 decreased \$53.7 million, or 35.9%, driven primarily by a \$31.7 million reduction in remediation costs associated with Las Vegas properties and \$77.2 million in 2010 expenses that did not recur in 2011, consisting of a \$52.2 million write-down of a note receivable related to a venture for development of a casino project in Philadelphia, Pennsylvania, and a \$25.0 million expense related to a previously disclosed contingency. These reductions were partially offset by a \$45.2 million increase in 2011 costs associated with identification and implementation of our efficiency projects, and 2011 charges of \$28.2 million to write off specific assets as a result of the termination of a development stage project in Spain.

Write-downs, reserves, recoveries, and project opening costs for 2010 were \$149.7 million, compared with \$111.5 million in 2009. Included in write-downs, reserves, recoveries, and project opening costs for 2010, with no comparable amounts in 2009, are the charge of \$52.2 million to fully reserve the note receivable balance and the contingency accrual of \$25.0 million. Also included in write-downs, reserves, recoveries, and project costs for 2010 were charges of \$29.0 million to write-off assets associated with certain capital projects in the Las Vegas and Atlantic City regions.

For additional discussion, refer to Note 11, "Write-downs, Reserves, Recoveries, and Project Opening Costs," to our consolidated financial statements, included elsewhere in this Form 10-K.

Impairment of goodwill and other non-amortizing intangible assets

Each year we perform a preliminary annual impairment assessment of goodwill and other non-amortizing intangible assets as of September 30. In the fourth quarter of each year, we update our preliminary assessment, once we finalize the long-term operating plan for the next fiscal year and certain other assumptions. We perform assessments more frequently if impairment indicators exist.

Our preliminary annual impairment assessment as of September 30, 2011 did not result in any impairment charges. We finalized our annual impairment assessment during the fourth quarter of 2011 and, as a result of the final assessment, we recorded an impairment charge of \$11.0 million, primarily as a result of adjustments to our long-term operating plan.

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During 2010, due to the relative impact of weak economic conditions on certain properties in the Other Nevada and Louisiana/Mississippi regions, we performed an interim impairment assessment during the second quarter, which resulted in an impairment charge of \$100.0 million. During the third quarter, we completed our preliminary annual impairment assessment as of September 30, 2010, which resulted in an impairment charge of \$44.0 million. We finalized our annual impairment assessment during the fourth quarter 2010, and as a result of the final assessment, we recorded an impairment charge of \$49.0 million, which brought the aggregate charges recorded for 2010 to \$193.0 million.

During 2009, we performed an interim impairment assessment during the second quarter, due to the relative impact of weak economic conditions on certain properties in the Las Vegas market, which resulted in an impairment charge of \$297.1 million.

During the third quarter, we completed our preliminary annual assessment as of September 30, 2009, which resulted in an impairment charge of \$1,328.6 million. We finalized our annual impairment assessment during the fourth quarter, and as a result of the final assessment, we recorded an impairment charge of \$12.3 million, which brought the aggregate charges recorded for 2009 to \$1,638.0 million.

For additional discussion of impairments, refer to Note 5, “Goodwill and Other Intangible Assets,” to our consolidated financial statements, included elsewhere in this Form 10-K.

Corporate Expense

Corporate expense increased in 2011 from the comparable period in 2010 due primarily to increases in variable compensation accruals.

Amortization of intangible assets

Amortization of intangible assets was lower in 2011 when compared to 2010, due to lower intangible asset balances as a result of certain contract rights being fully amortized during 2011.

Amortization expense associated with intangible assets for 2010 was lower than the amounts recorded in 2009 due to lower intangible asset balances as a result of certain contract rights being fully amortized during 2009.

Interest Expense, net of interest capitalized

Interest expense, net of interest capitalized, increased by \$140.7 million for 2011, compared to the same period in 2010. Interest expense is reported net of interest capitalized of \$22.8 million and \$1.4 million for 2011 and 2010, respectively. The majority of the interest capitalized in 2011 relates to the completion of the Octavius Tower at Caesars Palace Las Vegas. Prior to the consideration of interest capitalized, interest expense increased by \$162.1 million for 2011, compared to the same period in 2010. During the fourth quarter 2011, the Company amended certain of its interest rate swap agreements and modified the interest rate election on a portion of its portfolio of underlying term loans. As a result, the Company determined that all of its interest rate swap agreements no longer qualified as hedging instruments for accounting purposes, and was required to reclassify \$183.2 million of accumulated other comprehensive losses into interest expense. Prior to consideration of this non-cash charge, interest expense decreased by \$21.1 million for 2011 from the same period in 2010. Incremental interest expense associated with debt issued in April 2011 to complete the Company’s Linq and Octavius projects was more than offset by reduced interest associated with debt retired in connection with the fourth quarter 2010 exchange of debt for equity. Interest expense was favorably impacted by lower interest rates obtained through the amendments to our interest rate swap agreements completed in the second quarter of 2011. Interest expense for 2011, as a result of interest rate swap agreements and interest rate cap agreements, included (i) \$53.4 million of gains due to measured ineffectiveness for derivatives designated as hedging instruments; (ii) \$16.9 million of gains due to changes in fair value for derivatives not designated as hedging instruments; and (iii) \$265.7 million of expense due to amortization and reclassification of deferred losses frozen in accumulated other comprehensive loss (“AOCL”).

Interest expense, net of interest capitalized, increased by \$89.1 million for 2010, compared to the same period in 2009. Interest expense is reported net of interest capitalized of \$1.4 million and \$32.4 million for 2010 and 2009, respectively. The majority of the interest capitalized in 2009 related to the Caesars Palace expansion in Las Vegas. Prior to the consideration of interest capitalized, interest expense increased by \$58.1 million for 2010, compared to the same period in 2009 due primarily to (i) debt issuances that occurred in the second quarter of 2010 that resulted in higher debt levels and a higher weighted average interest rate; and (ii) changes in hedging designations related to our \$6,500.0 million interest rate cap agreement related to our CMBS Financing and one interest rate swap agreement. Interest expense for 2010, as a result of interest rate swap agreements and interest rate cap agreements, included (i) \$76.6 million of gains due to measured ineffectiveness for derivatives designated as hedging instruments; (ii) \$1.9 million of expense due to changes in fair value for derivatives not designated as hedging instruments; and (iii) \$36.3 million of expense due to amortization of deferred losses frozen in AOCL. At December 31, 2010, our variable-rate debt, excluding \$6,500.0 million of variable-rate debt for which we entered into interest rate swap agreements, represented approximately 30% of our total debt, while our fixed-rate debt was approximately 70% of our total debt.

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For additional discussion of interest expense, refer to Note 7, “Debt,” and Note 17, “Supplemental Cash Flow Information,” to our consolidated financial statements, included elsewhere in this Form 10-K.

Gains on early extinguishments of debt

During 2011, we recognized a \$47.9 million gain on early extinguishments of debt as the result of March and April 2011 CMBS Loan repurchases. During 2010, we recognized \$115.6 million of gains on early extinguishments of debt as a result of repurchases of CMBS Loans and completion of an offering that retired outstanding senior and senior subordinated notes. Gains on early extinguishments of debt of \$4,965.5 million in 2009 related to multiple debt transactions initiated throughout the year,

For additional discussion of extinguishments of debt, refer to Note 7, “Debt,” to our consolidated financial statements, included elsewhere in this Form 10-K.

Other income, including interest income

Other income for all periods presented included interest income on the cash surrender value of life insurance policies and insurance policy proceeds related to our deferred compensation plan.

As a result of the cancellation of our debt investment in certain predecessor entities of PHW Las Vegas in exchange for the equity of PHW Las Vegas, we recognized a gain of \$7.1 million to adjust our investment to reflect the estimated fair value of consideration paid for the acquisition. This gain is reflected in other income, including interest income, in our consolidated statement of operations for the year ended December 31, 2010.

(Benefit)/provision for income taxes

For 2011, we recorded an income tax benefit of \$506.9 million on loss before income taxes of \$1,173.6 million, compared with an income tax benefit of \$468.7 million on loss before income taxes of \$1,292.0 million for 2010.

The Company’s full year 2011 effective tax rate benefit was 43.2%, compared with an effective tax rate benefit of 36.3% for full year 2010. The increase in the effective tax rate benefits for 2011 was due to (i) a deferred tax benefit of \$46.4 million from a correction of an error in the deferred tax liabilities primarily relating to transaction costs incurred in connection with the acquisition in 2008 that were incorrectly recorded in 2008 and not properly adjusted upon the 2009 receipt of the final transaction cost reports, (ii) state deferred tax benefits resulting from the reorganization of certain of the Company’s state operations, and (iii) other discrete items. The income tax benefit for 2010 was favorably impacted by the effects of state income tax benefits and other discrete items.

Beginning in 2012, income tax benefits are projected to be lower than in 2010 and 2011 as a result of state operating losses which will not be tax benefited starting in 2012. The Company estimates that the projected effective tax rate benefit will be 3% to 4% lower due to these reduced state income tax benefits.

Under the American Recovery and Reinvestment Act of 2009, or the ARRA, the Company received temporary federal tax relief under the Delayed Recognition of Cancellation of Debt Income, or CODI, rules. The ARRA contains a provision that allowed for a deferral for tax purposes of CODI for debt reacquired in 2009 and 2010, following by recognition of CODI ratably from 2014 to 2018. In connection with the debt that the Company reacquired in 2009 and 2010, the Company deferred related CODI of \$3.6 billion for tax purposes (net of Original Issue Discount (“OID”) interest expense, some of which must also be deferred to 2014 through 2018 under the ARRA). The Company is required to include one-fifth of the deferred CODI, net of deferred and regularly scheduled OID, in taxable income each year from 2014 through 2018. For state income tax purposes, certain states have conformed to the Act and others have not.

Refer to Note 12 “Income Taxes,” to our consolidated financial statements, included elsewhere in this Form 10-K, for additional information.

LIQUIDITY AND CAPITAL RESOURCES

Cost Savings Initiatives

Caesars Entertainment has undertaken comprehensive cost-reduction efforts to right size expenses with business levels. In the fourth quarter of 2010, we embarked on a reorganization we referred to as “Project Renewal,” an initiative designed to reinvent certain aspects of the Company’s functional and operating units to gain significant further cost reductions and streamline its operations. As part of Project Renewal, we have implemented a shared-services organization that will enable more efficient decision making and sharing of best practices. Caesars anticipates that the Company will have a permanently lower cost structure and will benefit from greater concentration of specified talent and quicker decision making. We estimate that Project Renewal and previous cost-savings programs produced \$268.9 million in incremental cost savings for 2011 when compared to prior year. Additionally, as of December 31, 2011, we estimate that, once fully implemented, these cost-savings programs will produce additional annual cost savings of \$198.3 million.

Capital Spending and Development

In addition to the development and expansion projects discussed in the “Regional Operating Results” section, we incur capital expenditures in the normal course of business, and we perform ongoing refurbishment and maintenance at our existing casino entertainment facilities, to maintain our quality standards. We also continue to pursue development and acquisition opportunities for additional casino entertainment and other hospitality facilities that meet our strategic and return on investment criteria.

Our planned development projects, if they go forward, will require, individually and in the aggregate, 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 approvals from the appropriate political and regulatory bodies. We must also comply with covenants and restrictions set forth in our debt agreements. Our capital spending for the year ended December 31, 2011 totaled \$303.8 million, which includes an increase of \$20.6 million of construction payables.

Our capital spending in 2010 and 2009 totaled \$153.9 million and \$409.3 million, which includes a decrease in construction payables of \$6.8 million and \$55.2 million, respectively.

Cash used for capital expenditures in the normal course of business is typically made available from cash flows generated by our operating activities while cash used for development projects, including projects currently under development as well as additional projects being pursued, is expected to be funded from established debt programs, specific project financing, and additional debt offerings. Estimated total capital expenditures for 2012, including 2012 expenditures associated with Project Linq, are expected to be between \$590.0 million and \$640.0 million.

Liquidity

Our cash and cash equivalents, excluding restricted cash, totaled \$904.6 million, excluding restricted cash, at December 31, 2011 compared to \$987.0 million at December 31, 2010. Restricted cash, including \$66.6 million included in prepayments and other current assets, totaled \$517.7 million at December 31, 2011. Nearly all of the restricted cash consists of cash reserved under loan agreements for development projects and certain expenditures incurred in the normal course of business, such as interest service, real estate taxes, property insurance, and capital improvements.

We are a highly leveraged company and a significant amount of our liquidity needs are for debt service. As of December 31, 2011, we had \$19,799.9 million book value of indebtedness outstanding and cash paid for interest for the year ended December 31, 2011 was \$1,685.0 million. Payments of short-term debt obligations and other commitments are expected to be made from operating cash flows and from borrowings under our established debt programs. Long-term obligations are expected to be paid through operating cash flows, refinancing of debt, or, if necessary, additional debt or equity offerings. We do not expect that any new financing is required to meet our obligations during the next 12 months.

Our operating cash inflows are used for operating expenses, debt service costs, working capital needs, and capital expenditures in the normal course of business. From time to time, we retire portions of our outstanding debt through open market purchases, privately negotiated transactions, or otherwise, using available cash on hand or established debt programs.

Included as an operating cash inflow in 2010 was an income tax refund of \$220.8 million, which resulted from our implementation of several accounting method changes for tax purposes including a method change to deduct currently certain repairs and maintenance expenditures which had been previously capitalized. As a result of the combination of the tax accounting method changes with our net operating loss, we reported a taxable loss for 2009 of \$1,248.9 million. Of this loss, \$170.9 million was carried back to the 2008 tax year to offset federal taxable income recognized and tax payable from that year. In addition, under a new tax law, we elected to extend our loss carryback period. As a result, \$630.3 million of the 2009 taxable loss was carried back to 2006. The amount refunded was net of interest due on the 2008 tax payable.

In addition to cash flows from operations, available sources of cash include amounts available under our current revolving credit facility. At December 31, 2011, our additional borrowing capacity under the credit facility was \$938.2 million.

Our ability to fund our operations, pay our debt obligations, and fund planned capital expenditures depends, in part, upon economic and other factors that are beyond our control, and disruptions in capital markets and restrictive covenants related to our existing debt could impact our ability to secure additional funds through financing activities. We believe that our cash and cash equivalents balance, our cash flows from operations and the financing sources discussed herein will be sufficient to meet our normal operating requirements during the next 12 months and to fund capital expenditures.

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In February 2012, Chester Downs issued \$330.0 million aggregate principal amount of 9.25% senior secured notes due 2020 through a private placement. Chester Downs used \$232.4 million of the proceeds of the notes to repay its existing term loan plus accrued interest and a prepayment penalty. The remaining proceeds were used to make a distribution to Chester Downs' managing member, Harrah's Chester Downs Investment Company, LLC, a wholly-owned subsidiary of CEOC, and for other general corporate purposes.

Effective February 8, 2012, as the result of the Company's initial public offering, our common stock trades on the NASDAQ Global Select Market under the symbol "CZR." The net proceeds to the Company were approximately \$15.2 million, taking into account expenses and underwriting commissions and giving effect to the exercise of the underwriters' overallotment option. In connection with the public offering, the Company effected a 1.742-for-one split of its common stock. Unless otherwise stated, all applicable share and per-share data presented herein have been retroactively adjusted to give effect to this stock split. See Note 22, "Subsequent Events," for additional discussion of the public offering.

In February 2012, Caesars Operating Escrow LLC and Caesars Escrow Corporation, wholly owned subsidiaries of CEOC, completed the offering of \$1,250.0 million aggregate principal amount of 8.5% senior secured notes due 2020, the proceeds of which were placed into escrow. On March 1, 2012, the escrow conditions were satisfied and CEOC assumed the notes. CEOC used \$1,095.6 million of the net proceeds from this transaction to repay a portion of its credit facilities in connection with the amendment discussed below.

On March 1, 2012, CEOC entered into an amendment to its outstanding senior secured credit agreement, to, among other things, (i) extend the maturity of B-1, B-2 and B-3 term loans held by consenting lenders from January 28, 2015 to January 28, 2018 and increase the interest rate with respect to such extended term loans (the "Term B-6 Loans"); (ii) convert original maturity revolver commitments held by consenting lenders to Term B-6 Loans and promptly following such conversion, repay Term B-6 Loans held by any consenting lender in an amount equal to 10% of the amount of revolver commitments that such lender elected to convert; (iii) extend the maturity of original maturity revolver commitments held by consenting lenders who elect not to convert their commitments to term loans, from January 28, 2014 to January 28, 2017 and increase the interest rate and the undrawn commitment fee with respect to such extended revolver commitments and upon the effectiveness of such extension, terminate 20% of extended revolver commitments on a pro rata basis; and (iv) modify certain other provisions of the credit facilities. In addition to the foregoing, the CEOC may elect to extend and/or convert additional term loans and/or revolver commitments from time to time.

After giving effect to the credit agreement amendment, there are \$2,113.1 million of existing B-1, B-2 and B-3 term loans outstanding with a maturity of January 28, 2015, \$1,862.9 million of extended Term B-6 Loans outstanding with a maturity of January 28, 2018, \$25.0 million of extended revolver commitments with a maturity of January 28, 2017 and \$1,104.5 million of existing revolving commitments outstanding with a maturity of January 28, 2014. The Term B-6 Loans will have a springing maturity to April 14, 2017 if more than \$250.0 million of the Company's 11.25% Senior Secured Notes due 2017 remain outstanding on April 14, 2017. As part of the amendment, CEOC's existing tranche of \$1,222.7 million of B-5 term loans maturing on January 28, 2018 was also modified to provide for the same springing maturity that applies to the Term B-6 Loans.

The following table summarizes the annual maturities of the face value of our long-term debt as of December 31, 2011, and after consideration of the 2012 debt offerings and the credit agreement amendment discussed above.

(in millions)	2012	2013	2014	2015	2016	Thereafter	Total
Actual ⁽¹⁾	\$45.3	\$170.7	\$193.9	\$11,123.6	\$1,856.9	\$ 9,267.5	\$22,657.9
As adjusted ⁽¹⁾	23.5	148.9	172.1	8,265.8	1,699.2	12,673.9	22,983.4

(1) Maturities assume the extension of the CMBS Loans and PHW Las Vegas senior secured loan from 2013 to 2015.

We cannot assure you that our business will generate sufficient cash flows from operations, or that future borrowings will be available to us, to fund our liquidity needs and pay our indebtedness. If we are unable to meet our liquidity needs or pay our indebtedness when it is due, we may have to reduce or delay refurbishment and expansion projects, reduce expenses, sell assets, or attempt to restructure our debt. Any such actions could negatively impact our competitive position and revenue generation. In addition, we have pledged a significant portion of our assets as collateral under certain of our debt agreements, and, if any of those lenders accelerate the repayment of borrowings, there can be no assurance that we will have sufficient assets to repay our indebtedness.

Capital Resources

A substantial portion of our financing is comprised of credit facility and notes financing obtained by CEOC. The CEOC financings are neither secured nor guaranteed by Caesars' other wholly-owned subsidiaries, including certain subsidiaries that own properties that secure \$5,031.5 million face value, as of December 31, 2011, of the CMBS Loans.

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Please refer to Note 7, “Debt,” to our consolidated financial statements for details on our debt outstanding. This detail includes, among other things, a table presenting details on our individual borrowings outstanding as of December 31, 2011 and December 31, 2010, changes in our debt outstanding and certain changes in the terms of existing debt for the year ended December 31, 2011. Note 7 also includes details on interest and fees, restrictive covenants related to certain of our borrowings, and the use of interest rate swap and interest rate cap derivatives to manage the mix of our debt between fixed and variable rate instruments.

Assuming extensions permitted under the CMBS Financing and the PHW Las Vegas senior secured loan discussed in Note 7 to our consolidated financial statements, the majority of our debt is due in 2015 and beyond. Payments of short-term debt obligations and other commitments are expected to be made from operating cash flows and from borrowings under our established debt programs. Long-term obligations are expected to be paid through operating cash flows, refinancing of debt, or, if necessary, additional debt offerings.

As described in detail in Note 7 to our consolidated financial statements, certain of our borrowings have covenants and requirements that include, among other things, the maintenance of specific levels of financial ratios. Failure to comply with these covenants can result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions.

We believe we are in compliance with CEOC’s senior secured credit facilities and indentures, including the senior secured leverage ratio, as of December 31, 2011. If our LTM Adjusted EBITDA—Pro Forma—CEOC Restricted were to decline significantly from the level achieved at December 31, 2011, it could cause us to exceed the senior secured leverage ratio and could be an event of default under CEOC’s credit agreement. However, we could implement certain actions in an effort to minimize the possibility of a breach of the senior secured leverage ratio, including reducing payroll and other operating costs, deferring or eliminating certain maintenance, delaying or deferring capital expenditures, or selling assets. In addition, under certain circumstances, our senior secured credit facilities allow us to apply cash contributions received by CEOC as a capital contribution to cure covenant breaches. However, there is no guarantee that such contributions will be able to be secured.

Guarantees of Third-Party Debt and Other Obligations and Commitments

The following table summarizes our contractual obligations and other commitments as of December 31, 2011, prior to consideration of the 2012 capital transactions mentioned above.

Contractual Obligations ^(a)	Payments due by Period				
	Total	Less than 1 year	1-3 years (In millions)	4-5 years	After 5 years
Debt, face value ^(c)	\$22,644.3	\$ 38.5	\$ 357.8	\$12,980.5	\$ 9,267.5
Capital lease obligations	13.6	6.8	6.8	—	—
Estimated interest payments ^{(b) (c)}	8,368.3	1,647.7	3,314.9	2,174.6	1,231.1
Operating lease obligations	2,168.7	85.4	143.6	121.2	1,818.5
Purchase order obligations	56.4	56.4	—	—	—
Community reinvestment	81.4	6.4	13.0	12.8	49.2
Construction commitments	281.8	213.7	68.1	—	—
Entertainment obligations ^(d)	247.2	66.2	85.2	39.9	55.9
Letters of credit	113.5	113.5	—	—	—
Minimum payments to tribes ^(e)	86.6	13.8	26.3	24.0	22.5
Other contractual obligations	593.1	106.7	138.6	118.8	229.0
	<u>\$34,654.9</u>	<u>\$2,355.1</u>	<u>\$4,154.3</u>	<u>\$15,471.8</u>	<u>\$12,673.7</u>

(a) In addition to the contractual obligations disclosed in this table, we have unrecognized tax benefits that, based on uncertainties associated with the items, we are unable to make reasonably reliable estimates of the period of potential cash settlements, if any, with taxing authorities. (See Note 12, “Income Taxes,” to our consolidated financial statements included elsewhere in this Form 10-K.)

(b) Estimated interest for variable rate debt included in this table is based on rates at December 31, 2011. Estimated interest includes the estimated impact of our interest rate swap and interest rate cap agreements.

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- (c) Debt maturities and estimated interest assumes the extension of maturities of the CMBS Loans and the PHW Las Vegas senior secured loan from 2013 to 2015, resulting in a net increase of interest of approximately \$435.2 million. Amounts presented do not include the impact of our 2012 transactions as discussed in Note 22, "Subsequent Events."
- (d) Entertainment obligations represent obligations to pay performers that have contracts for future performances at one or more of our properties.
- (e) The agreements pursuant to which we manage casinos on Indian lands contain provisions required by law that provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled repayments of borrowings for development costs and over the management fee earned and paid to the manager. In the event that insufficient cash flow is generated by the operations to fund this payment, we must pay the shortfall to the tribe. Subject to certain limitations as to time, such advances, if any, would be repaid to us in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. Our aggregate monthly commitment for the minimum guaranteed payments pursuant to the contracts for the three managed Indian-owned facilities now open is \$1.2 million per month. Each of these casinos currently generates sufficient cash flows to cover all of its obligations, including its debt service.

COMPETITIVE PRESSURES

The gaming industry is highly competitive and our competitors vary considerably in size, quality of facilities, number of operations, brand identities, marketing and growth strategies, financial strength and capabilities, level of amenities, management talent and geographic diversity. We also compete with other non-gaming resorts and vacation areas, and with various other entertainment businesses. Our competitors in each market may have substantially greater financial, marketing and other resources than we do and there can be no assurance that they will not in the future engage in aggressive pricing action to compete with us. Although we believe we are currently able to compete effectively in each of the various markets in which we participate, we cannot make assurances that we will be able to continue to do so or that we will be capable of maintaining or further increasing our current market share. Our failure to compete successfully in our various markets could adversely affect our business, financial condition, results of operations and cash flow.

In recent years, many casino operators have been reinvesting in existing markets to attract new customers or to gain market share, thereby increasing competition in those markets. As companies have completed expansion projects, supply has typically grown at a faster pace than demand in some markets and competition has increased significantly. The expansion of existing casino entertainment properties, the increase in the number of properties and the aggressive marketing strategies of many of our competitors have increased competition in many markets in which we operate, and this intense competition is expected to continue. These competitive pressures have affected, and are expected to continue to adversely affect our financial performance in certain markets.

Several states and Indian tribes are also considering enabling the development and operation of casinos or casino-like operations in their jurisdictions.

Although, historically, the short-term effect of such competitive developments on us generally has been negative, we are not able to determine the long-term impact, whether favorable or unfavorable, that development and expansion trends and events will have on current or future markets. We also cannot determine the long-term impact of the financial crisis on the economy, and casinos specifically. In the short-term, the current financial crisis has stalled or delayed some of our capital projects, as well as those of many of our competitors. In addition, our substantial indebtedness could limit our flexibility in planning for, or reacting to, changes in our operations or business and restrict us from developing new gaming facilities, introducing new technologies or exploiting business opportunities, all of which could place us at a competitive disadvantage. We believe that the geographic diversity of our operations; our focus on multi-market customer relationships; our service training, our rewards and customer loyalty programs; and our continuing efforts to establish our brands as premier brands upon which we have built strong customer loyalty have well-positioned us to face the challenges present within our industry. We utilize the unique capabilities of WINet, a sophisticated nationwide customer database, and Total Rewards, a nationwide loyalty program that allows our customers to earn complimentary items and other benefits for playing at our casinos. We believe these sophisticated marketing tools provide us with competitive advantages, particularly with players who visit more than one market.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our financial statements in conformity with accounting principles generally accepted in the United States ("GAAP"). Certain of our accounting policies, including the estimated lives assigned to our assets, the determination of bad debt, asset impairment, Total Rewards point liability, self-insurance reserves, the purchase price allocations made in connection with our acquisitions/merger, the fair value of derivative instruments, and the calculation of our income tax liabilities, require that we apply significant judgment in defining the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. Our judgments are based on our historical experience, terms of existing contracts, observance of

trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. Actual results may differ from our estimates. For a summary of our significant accounting policies, please refer to the notes to our audited consolidated financial statements included elsewhere in this Form 10-K.

We consider accounting estimates to be critical accounting policies when:

- the estimates involve matters that are highly uncertain at the time the accounting estimate is made; and
- different estimates or changes to estimates could have a material impact on the reported financial position, changes in financial position, or results of operations

When more than one accounting principle, or method of its application, is generally accepted, we select the principle or method that we consider to be the most appropriate when given the specific circumstances. Application of these accounting principles requires us to make estimates about the future resolution of existing uncertainties. Estimates are typically based upon historical experience, current trends, contractual documentation, and other information, as appropriate. Due to the inherent uncertainty involving estimates, actual results reported in the future may differ from those estimates. In preparing our financial statements, we have made our best estimates and judgments of the amounts and disclosures included in the financial statements, giving regard to materiality.

Property and Equipment

We have significant capital invested in our property and equipment and judgments are made in determining the estimated useful lives of assets, salvage values to be assigned to assets, and if or when an asset has been impaired. The accuracy of these estimates affects the amount of depreciation expense recognized in our financial results and whether we have a gain or loss on the disposal of an asset. We assign lives to our assets based on our standard policy, which is established by management as representative of the useful life of each category of asset. We review the carrying value of our property and equipment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. The factors considered by management in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition, and other economic factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the reporting unit level, which, for most of our assets, is the individual property.

Goodwill and Other Intangible Assets

The purchase price of an acquisition is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. We determine the estimated fair values after review and consideration of relevant information including discounted cash flows, quoted market prices and estimates made by management. To the extent the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired and liabilities assumed, such excess is allocated to goodwill.

Each year, we perform a preliminary annual impairment assessment of goodwill and other non-amortizing intangible assets as of September 30. In the fourth quarter of each year, we update our preliminary assessment once we finalize our long-term operating plan and certain other assumptions. We perform assessments more frequently if impairment indicators exist.

For our impairment assessment, we determine estimated fair value of a reporting unit as a function, or multiple, of EBITDA, combined with estimated future cash flows discounted at rates commensurate with prevailing rates of return within the casino industry in general. We determine the estimated fair values of our non-amortizing intangible assets by using the relief from royalty and excess earnings methods under the income approach.

The annual evaluation of goodwill and other non-amortizing intangible assets requires the use of estimates about future operating results, valuation multiples, and discount rates to determine their estimated fair value. Changes in these assumptions can materially affect these estimates. Thus, to the extent the economy deteriorates further in the near future, discount rates increase significantly, or we do not meet our projected performance, we could have additional impairment to record in the next twelve months within our financial statements, and such impairments could be material. This is especially true for our Las Vegas region, which has a significant portion of our total goodwill balance. In accordance with GAAP, once an impairment of goodwill or other intangible asset has been recorded, it cannot be reversed.

Total Rewards Point Liability Program

Our customer loyalty program, Total Rewards, offers incentives to customers who gamble at certain of our casinos throughout the United States. Under the program, customers are able to accumulate, or bank, reward credits over time that they may redeem at their discretion under the terms of the program. The reward credit balance will be forfeited if the customer does not earn a reward credit over the prior six-month period. As a result of the ability of the customer to bank the reward credits, we accrue the expense of reward credits, after consideration of estimated forfeitures (referred to as “breakage”), as they are earned. The value of the cost to provide reward credits is expensed as the reward credits are earned and is included in casino expense on our Consolidated Statements of Operations. To arrive at the estimated cost associated with reward credits, estimates and assumptions are made regarding incremental costs of the benefits, breakage rates, and the mix of goods and services for which reward credits will be redeemed. We use historical data to assist in the determination of estimated accruals.

In addition to reward credits, customers at certain of our properties can earn points based on play that are redeemable in the form of credits payable at the gaming machine. We accrue the cost of redeemable points, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in casino promotional allowances on our Consolidated Statements of Operations.

Allowance for Doubtful Accounts - Gaming

We reserve an estimated amount for gaming receivables that may not be collected. Methodologies for estimating the allowance for doubtful accounts range from specific reserves to various percentages applied to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific reserves. As with many estimates, management must make judgments about potential actions by third parties in establishing and evaluating our reserves for allowance for doubtful accounts.

Self-Insurance Accruals

We are self-insured up to certain limits for costs associated with general liability, workers’ compensation, and employee health coverage. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims. In estimating these reserves, we consider historical loss experience and make judgments about the expected levels of costs per claim. We also utilize consultants to assist in the determination of certain estimated accruals. These claims are accounted for based on actuarial estimates of the undiscounted claims, including those claims incurred but not yet reported. We believe the use of actuarial methods to account for these liabilities provides a consistent and effective way to measure these highly judgmental accruals; however, changes in health care costs, accident frequency and severity, and other factors can materially affect the estimates for these liabilities. We regularly monitor the potential for changes in estimates, evaluate our insurance accruals, and adjust our recorded provisions.

Income Taxes

We are subject to income taxes in the United States (including federal and state) and numerous foreign jurisdictions in which we operate. We record income taxes 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 loss and tax credit carryforwards. We will record a reduction of the carrying amounts of deferred tax assets by a valuation allowance if, based on the available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically based on the “more likely than not” realization threshold. This assessment considers, among other matters, the nature, frequency, and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, our experience with operating loss and tax credit carryforwards not expiring unused, and tax planning alternatives.

The effect on the income tax provision and deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. We have previously provided a valuation allowance on foreign tax credits, certain foreign and state net operating losses (“NOLs”), and other deferred foreign and state tax assets. Certain foreign and state NOLs and other deferred foreign and state tax assets were not deemed realizable because they are attributable to subsidiaries that are not expected to produce future earnings.

We classify reserves for tax uncertainties within accrued expenses and deferred credits and other in our Consolidated Balance Sheets, separate from any related income tax payable, which is also reported within accrued expenses, or deferred income taxes. Reserve amounts for uncertain tax positions relate to any potential income tax liabilities resulting from uncertain tax positions, as well as potential interest or penalties associated with those liabilities.

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We file income tax returns, including returns for our subsidiaries, with federal, state, and foreign jurisdictions. We are under regular and recurring audit by the Internal Revenue Service (“IRS”) and various state taxing authorities on open tax positions, and it is possible that the amount of the liability for unrecognized tax benefits could change during the next twelve months.

Derivative Instruments

We record all derivative instruments at fair value in the financial statements. Any changes in fair value are recorded in the statements of operations or in other comprehensive income/(loss) within the equity section of the balance sheets, depending upon whether or not the derivative is designated and qualifies for hedge accounting, the type of hedge transaction, and the effectiveness of the hedge. The estimated fair values of our derivative instruments are based on market prices obtained from dealer quotes. Such quotes represent the estimated amounts we would receive or pay to terminate the contracts.

Our derivative instruments contain a credit risk that the counterparties may be unable to meet the terms of the agreements. We minimize that risk by evaluating the creditworthiness of our counterparties, which are limited to major banks and financial institutions. Our derivatives are recorded at their fair values, adjusted for the credit rating of the counterparty if the derivative is an asset, or adjusted for our credit rating if the derivative is a liability.

RECENTLY ISSUED AND PROPOSED ACCOUNTING STANDARDS

For discussions of the adoption and potential impacts of recently issued accounting standards, refer to Note 2, “Recently Issued Accounting Pronouncements,” to our consolidated financial statements, included in Item 8 of this Form 10-K.

ITEM 7A. Quantitative and Qualitative Disclosure About Market Risk

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. Our primary exposure to market risk is interest rate risk associated with our debt. We attempt to limit our exposure to interest rate risk by managing the mix of our debt between fixed-rate and variable-rate obligations. Of our \$22,657.9 million face value of debt, including capital lease obligations, at December 31, 2011, we have entered into interest rate swap agreements to fix the interest rate on \$5,750.0 million of variable rate debt, and \$7,849.4 million of debt remains subject to variable interest rates.

We use interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. As of December 31, 2011, we have entered into eight interest rate swap agreements for notional amounts totaling \$5,750.0 million. The difference to be paid or received under the terms of the interest rate swap agreements is accrued as interest rates change and recognized as an adjustment to interest expense for the related debt. Changes in the variable interest rates to be paid or received pursuant to the terms of the interest rate swap agreements will have a corresponding effect on future cash flows.

In addition to the swap agreements, we have an interest rate cap agreement for a notional amount of \$6,500.0 million at a London Inter-Bank Offered Rate (“LIBOR”) cap rate of 4.5% and an interest rate cap agreement for a notional amount of \$517.7 million at a LIBOR cap rate of 7.0%. Assuming a constant outstanding balance for our variable rate debt for the next twelve months, a hypothetical 1% increase in interest rates would increase interest expense for the next twelve months by approximately \$68.7 million. At December 31, 2011, the weighted average USD LIBOR rate on our variable rate debt was 0.348%. A hypothetical reduction of this rate to 0% would decrease interest expense for the next twelve months by approximately \$23.9 million.

We do not purchase or hold any derivative financial instruments for trading purposes.

The table below provides information as of December 31, 2011, about our financial instruments that are sensitive to changes in interest rates, including the cash flows associated with the principal amounts of debt obligations, the notional amounts of interest rate derivative instruments and related weighted average interest rates. Principal amounts are used to calculate the payments to be exchanged under the related agreement(s) and weighted average variable rates are based on implied forward rates in the yield curve as of December 31, 2011.

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(\$ in millions)	Expected Maturity Date							Total	Fair Value
	2012	2013	2014	2015	2016	Thereafter			
Liabilities									
Long-term debt									
Fixed rate	\$14.9	\$140.8	\$ 15.0	\$5,540.8	\$ 728.8	\$7,618.7	\$14,059.0	\$12,203.1	
Average interest rate	8.5%	8.4%	8.4%	10.1%	10.4%	5.7%	9.0%		
Variable rate ⁽¹⁾	\$30.4	\$ 29.9	\$178.9	\$5,582.8	\$1,128.1	\$1,648.8	\$ 8,598.9	\$ 6,178.5	
Average interest rate	4.8%	5.0%	5.4%	6.5%	7.1%	4.6%	5.4%		
Interest Rate Derivatives									
Interest rate swaps									
Variable to fixed ⁽²⁾							\$ 5,750.0	\$ (336.1)	
Average pay rate	3.1%	3.1%	3.3%	3.3%	—	—	3.2%		
Average receive rate	0.3%	0.4%	0.7%	0.8%	—	—	0.5%		
Interest rate caps ⁽³⁾							\$ 7,017.7	\$ —	

(1) Maturities assume the extension of the CMBS Loans and PHW Las Vegas senior secured loan from 2013 to 2015.

(2) Expire in 2015.

(3) Expire in 2013.

As of December 31, 2011 and 2010, our long-term variable rate debt reflects borrowings under our senior secured credit facilities provided to us by a consortium of banks with a total capacity of \$8,410.0 and \$8,435.1 million, respectively. The interest rates charged on borrowings under these facilities are a function of LIBOR. As such, the interest rates charged to us for borrowings under the facilities are subject to change as LIBOR changes.

Foreign currency transaction gains and losses were not material to our results of operations for the years ended December 31, 2011, 2010, and 2009. Our only material ownership interests in businesses in foreign countries are London Clubs, Caesars Golf Macau, and an approximate 95% ownership of a casino in Uruguay. Therefore, we have not been subject to material foreign currency exchange rate risk from the effects that exchange rate movements of foreign currencies would have on our future operating results or cash flows.

From time to time, we hold investments in various available-for-sale equity securities; however, our exposure to price risk arising from the ownership of these investments is not material to our consolidated financial position, results of operations, or cash flows.

ITEM 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Caesars Entertainment Corporation:

We have audited the accompanying consolidated balance sheets of Caesars Entertainment Corporation and subsidiaries (the “Company”) as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders’ (deficit)/equity and comprehensive income/(loss), and cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the consolidated financial statement schedule included in Item 15(a)(2). These consolidated financial statements and consolidated financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and consolidated financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Caesars Entertainment Corporation and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control–Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 14, 2012, expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Las Vegas, Nevada
March 14, 2012

CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED BALANCE SHEETS
(In millions, except for par value)

	As of December 31,	
	2011	2010
Assets		
Current assets		
Cash and cash equivalents	\$ 904.6	\$ 987.0
Receivables, less allowance for doubtful accounts of \$202.3 and \$216.3	489.2	393.2
Deferred income taxes	170.5	175.8
Prepayments and other current assets	228.0	184.1
Inventories	44.9	50.4
Total current assets	1,837.2	1,790.5
Property and equipment, net of accumulated depreciation of \$2,681.3 and \$1,991.5	17,266.0	17,766.6
Goodwill	3,464.8	3,420.9
Intangible assets other than goodwill	4,655.9	4,711.8
Investments in and advances to non-consolidated affiliates	94.2	94.0
Restricted cash	451.1	—
Deferred charges and other	746.4	803.9
	<u>\$28,515.6</u>	<u>\$28,587.7</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 293.9	\$ 251.4
Interest payable	191.4	201.5
Accrued expenses	1,077.1	1,074.3
Current portion of long-term debt	40.4	55.6
Total current liabilities	1,602.8	1,582.8
Long-term debt	19,759.5	18,785.5
Deferred credits and other	901.8	923.1
Deferred income taxes	5,198.1	5,623.7
	<u>27,462.2</u>	<u>26,915.1</u>
Stockholders' equity		
Common stock; voting; \$0.01 par value; 1,250.0 shares authorized; 125.1 shares issued and outstanding (net of 0.3 shares held in treasury)	0.7	0.7
Additional paid-in capital	6,885.1	6,906.5
Accumulated deficit	(5,782.7)	(5,105.6)
Accumulated other comprehensive loss	(96.4)	(168.8)
Total Caesars stockholders' equity	1,006.7	1,632.8
Non-controlling interests	46.7	39.8
Total stockholders' equity	<u>1,053.4</u>	<u>1,672.6</u>
	<u>\$28,515.6</u>	<u>\$28,587.7</u>

See accompanying Notes to Consolidated Financial Statements.

CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)

	Year Ended December 31,		
	2011	2010	2009
Revenues			
Casino	\$ 6,637.1	\$ 6,917.9	\$ 7,124.3
Food and beverage	1,534.4	1,510.6	1,479.3
Rooms	1,208.2	1,132.3	1,068.9
Management fees	35.8	39.1	56.6
Other	682.5	576.3	592.4
Less: casino promotional allowances	(1,263.5)	(1,357.6)	(1,414.1)
Net revenues	8,834.5	8,818.6	8,907.4
Operating expenses			
Direct			
Casino	3,746.5	3,948.9	3,925.5
Food and beverage	665.7	621.3	596.0
Rooms	287.1	259.4	213.5
Property, general, administrative, and other	2,118.5	2,061.7	2,018.8
Depreciation and amortization	712.5	735.5	683.9
Write-downs, reserves, recoveries, and project opening costs	96.0	149.7	111.5
Impairment of goodwill and other non-amortizing intangible assets	11.0	193.0	1,638.0
Loss on interests in non-consolidated affiliates	7.9	1.5	2.2
Corporate expense	152.8	140.9	150.7
Acquisition and integration costs	4.3	13.6	0.3
Amortization of intangible assets	156.7	160.8	174.8
Total operating expenses	7,959.0	8,286.3	9,515.2
Income/(loss) from operations	875.5	532.3	(607.8)
Interest expense, net of interest capitalized	(2,122.3)	(1,981.6)	(1,892.5)
Gains on early extinguishments of debt	47.9	115.6	4,965.5
Other income, including interest income	25.3	41.7	33.0
(Loss)/income before income taxes	(1,173.6)	(1,292.0)	2,498.2
Benefit/(provision) for income taxes	506.9	468.7	(1,651.8)
Net (loss)/income	(666.7)	(823.3)	846.4
Less: net income attributable to non-controlling interests	(20.9)	(7.8)	(18.8)
Net (loss)/income attributable to Caesars	(687.6)	(831.1)	827.6
Preferred stock dividends	—	—	(354.8)
Net (loss)/income attributable to common stockholders	\$ (687.6)	\$ (831.1)	\$ 472.8
(Loss)/earnings per share			
Basic	\$ (5.50)	\$ (8.37)	\$ 6.67
Diluted	\$ (5.50)	\$ (8.37)	\$ 3.95
Weighted-average common shares outstanding			
Basic	125.1	99.3	70.9
Diluted	125.1	99.3	209.4

See accompanying Notes to Consolidated Financial Statements.

CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT)/EQUITY
AND COMPREHENSIVE INCOME/(LOSS)
(In millions)

	<u>Common Stock</u>				Accumulated			
	<u>Shares</u>	<u>Amount</u>	<u>Additional</u>	<u>Accumulated</u>	<u>Other</u>	<u>Non-controlling</u>	<u>Total</u>	<u>Comprehensive</u>
	<u>Outstanding</u>		<u>Paid-in</u>	<u>Deficit</u>	<u>Comprehensive</u>	<u>Interests</u>		<u>Income/(Loss)</u>
			<u>Capital</u>		<u>Loss</u>			
Balance at December 31, 2008	70.9	0.4	\$ 3,825.1	\$ (5,096.3)	\$ (139.6)	\$ 49.6	\$(1,360.8)	\$ —
Net income	—	—	—	827.6	—	18.8	846.4	846.4
Share-based compensation	—	—	16.4	—	—	—	16.4	—
Repurchase of treasury shares	*	*	(1.3)	—	—	—	(1.3)	—
Cumulative preferred stock dividends	—	—	(354.8)	—	—	—	(354.8)	—
Related party debt exchange transaction, net of tax	—	—	80.1	—	—	—	80.1	—
Defined benefit plan adjustments, net of tax	—	—	—	—	(14.1)	—	(14.1)	(14.1)
Foreign currency translation adjustments, net of tax	—	—	—	—	19.0	4.8	23.8	23.8
Change in fair market value of derivatives, net of taxes	—	—	—	—	3.4	—	3.4	3.4
Adjustment for ASC 740 tax implications	—	—	(2.4)	—	—	—	(2.4)	—
Purchase of additional interest in subsidiary	—	—	(83.7)	—	—	(3.3)	(87.0)	—
Distributions to non-controlling interests, net of contributions	—	—	—	—	—	(14.0)	(14.0)	—
Reclassification of loss on derivative instruments from other comprehensive income to interest expense, net of taxes	—	—	—	—	(2.7)	—	(2.7)	(2.7)
Other	—	—	0.6	(0.6)	—	—	—	—
2009 Comprehensive Income	—	—	—	—	—	—	—	\$ 856.8
Balance at December 31, 2009	<u>70.9</u>	<u>0.4</u>	<u>\$ 3,480.0</u>	<u>\$ (4,269.3)</u>	<u>\$ (134.0)</u>	<u>\$ 55.9</u>	<u>\$ (867.0)</u>	

* Amount rounds to zero.

See accompanying Notes to Consolidated Financial Statements.

CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY/(DEFICIT)
AND COMPREHENSIVE INCOME/(LOSS)
(In millions)

	Common Stock			Accumulated				
	Shares Outstanding	Amount	Additional Paid-in- Capital	Accumulated Deficit	Other Comprehensive Loss	Non-controlling Interests	Total	Comprehensive Income/(Loss)
Balance at December 31, 2009	70.9	0.4	\$ 3,480.0	\$ (4,269.3)	\$ (134.0)	\$ 55.9	\$ (867.0)	\$ —
Net (loss)/income	—	—		(831.1)	—	7.8	(823.3)	(823.3)
Share-based compensation	—	—	17.9	—	—	0.2	18.1	—
Repurchase of treasury shares	*	*	(1.6)	—	—	—	(1.6)	—
Cumulative preferred stock dividends	—	—	(64.6)	—	—	—	(64.6)	—
Cancellation of cumulative preferred stock dividends in connection with conversion of preferred stock to common stock	—	—	717.2	—	—	—	717.2	—
Conversion of non-voting perpetual preferred stock to non-voting common stock	34.6	0.2	1,989.6	—	—	—	1,989.8	—
Private Placement	19.6	0.1	768.0	—	—	—	768.1	—
Defined benefit plan adjustments, net of tax	—	—	—	—	(6.1)	—	(6.1)	(6.1)
Foreign currency translation adjustments, net of tax	—	—	—	—	8.2	(4.2)	4.0	4.0
Change in fair market value of derivatives, net of taxes	—	—	—	—	(60.7)	—	(60.7)	(60.7)
Reclassification of loss on derivative instruments from other comprehensive loss to interest expense, net of tax	—	—	—	—	22.2	—	22.2	22.2
Unrealized gains on investments, net of tax	—	—	—	—	1.6	—	1.6	1.6
Distributions to non-controlling interests, net of contributions	—	—	—	—	—	(10.1)	(10.1)	—
Effect of deconsolidation of variable interest entities	—	—	—	(5.2)	—	(9.8)	(15.0)	—
2010 Comprehensive Loss	—	—	—	—	—	—	—	\$ (862.3)
Balance at December 31, 2010	125.1	0.7	\$ 6,906.5	\$ (5,105.6)	\$ (168.8)	\$ 39.8	\$1,672.6	

* Amount rounds to zero.

See accompanying Notes to Consolidated Financial Statements.

CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY/(DEFICIT)
AND COMPREHENSIVE INCOME/(LOSS)
(In millions)

	Common Stock				Accumulated				
	Shares		Additional	Accumulated	Other	Non-controlling	Total	Comprehensive	
	Outstanding	Amount	Paid-in- Capital	Deficit	Comprehensive Loss	Interests		Income/(Loss)	
Balance at December 31, 2010	125.1	0.7	\$ 6,906.5	\$ (5,105.6)	\$ (168.8)	\$ 39.8	\$1,672.6	\$ —	
Effect of change in accounting for accruals for casino jackpot liabilities, net of tax	—	—	—	10.7	—	—	10.7	—	
Net (loss)/income	—	—	—	(687.6)	—	20.9	(666.7)	(666.7)	
Share-based compensation	—	—	22.1	—	—	0.1	22.2	—	
Repurchase of treasury shares	*	*	(1.7)	—	—	—	(1.7)	—	
Defined benefit plan adjustments, net of tax	—	—	—	—	(39.5)	—	(39.5)	(39.5)	
Foreign currency translation adjustments, net of taxes	—	—	—	—	(2.1)	1.3	(0.8)	(0.8)	
Change in fair market value of derivatives, net of tax	—	—	—	—	(35.9)	—	(35.9)	(35.9)	
Reclassification of loss on derivative instruments from other comprehensive loss to interest expense, net of tax	—	—	—	—	148.4	—	148.4	148.4	
Unrealized gains on investments, net of tax	—	—	—	—	1.5	—	1.5	1.5	
Distributions to non-controlling interests, net of contributions	—	—	—	—	—	(5.8)	(5.8)	—	
Changes in non-controlling interests	—	—	—	—	—	(9.6)	(9.6)	—	
Purchase of additional interest in subsidiary	—	—	(31.5)	—	—	—	(31.5)	—	
Other	—	—	(10.3)	(0.2)	—	—	(10.5)	—	
2011 Comprehensive Loss	—	—	—	—	—	—	—	\$ (593.0)	
Balance at December 31, 2011	125.1	0.7	\$ 6,885.1	\$ (5,782.7)	\$ (96.4)	\$ 46.7	\$1,053.4		

* Amount rounds to zero.

See accompanying Notes to Consolidated Financial Statements.

CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended December 31,		
	2011	2010	2009
Cash flows from operating activities			
Net (loss)/income	\$ (666.7)	\$ (823.3)	\$ 846.4
Adjustments to reconcile net (loss)/income to cash flows provided by operating activities:			
Gains on early extinguishments of debt	(47.9)	(115.6)	(4,965.5)
Depreciation and amortization	881.4	907.8	872.0
Amortization of deferred finance costs and debt discount/premium	227.5	240.1	255.0
Reclassification from, and amortization of, accumulated other comprehensive loss	266.5	36.3	18.2
Non-cash write-downs, reserves, and recoveries	27.1	108.1	32.0
Impairment of goodwill and other non-amortizing intangible assets	11.0	193.0	1,638.0
Share-based compensation expense	22.2	18.1	16.4
Deferred income taxes	(503.5)	(467.3)	1,541.2
Federal income tax refund received	—	220.8	—
Net change in long-term accounts	(71.5)	(12.3)	74.7
Net change in working capital accounts	(26.1)	(150.6)	(117.4)
Other	3.1	15.7	9.2
Cash flows provided by operating activities	<u>123.1</u>	<u>170.8</u>	<u>220.2</u>
Cash flows from investing activities			
Acquisitions of property and equipment, net of change in construction payables	(283.2)	(160.7)	(464.5)
Change in restricted cash	(517.7)	—	—
Payments to acquire businesses, net of transaction costs and cash acquired	(19.0)	(30.6)	—
Purchase of additional interests in subsidiary	(75.4)	(19.5)	—
Payments made to acquire certain gaming rights	(22.7)	(16.5)	—
Investments in/advances to non-consolidated affiliates and other	(76.0)	(64.0)	(66.9)
Other	(23.0)	3.4	8.1
Cash flows used in investing activities	<u>(1,017.0)</u>	<u>(287.9)</u>	<u>(523.3)</u>
Cash flows from financing activities			
Proceeds from issuance of long-term debt	863.8	1,332.2	2,259.6
Debt issuance costs and fees	(18.1)	(64.6)	(76.4)
Borrowings under lending agreements	358.0	1,175.0	3,076.6
Repayments under lending agreements	(203.0)	(1,625.8)	(3,535.1)
Cash paid for early extinguishments of debt	(128.5)	(369.1)	(1,003.5)
Scheduled debt retirements	(43.7)	(237.0)	(45.5)
Purchase of additional interest in subsidiary	—	—	(83.7)
Other	(17.0)	(23.3)	(21.3)
Cash flows provided by financing activities	<u>811.5</u>	<u>187.4</u>	<u>570.7</u>
Effect of deconsolidation of variable interest entities	—	(1.4)	—
Net (decrease)/increase in cash and cash equivalents	(82.4)	68.9	267.6
Cash and cash equivalents, beginning of period	987.0	918.1	650.5
Cash and cash equivalents, end of period	<u>\$ 904.6</u>	<u>\$ 987.0</u>	<u>\$ 918.1</u>

See accompanying Notes to Consolidated Financial Statements.

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In these footnotes, the words “Company,” “Caesars Entertainment,” “we,” “our,” and “us” refer to Caesars Entertainment Corporation, a Delaware corporation, and its wholly-owned subsidiaries, unless otherwise stated or the context requires otherwise.

Note 1—Summary of Significant Accounting Policies

ORGANIZATION AND DESCRIPTION OF BUSINESS. As of December 31, 2011, we owned, operated, or managed, through various subsidiaries, 52 casinos in 12 U.S. states and seven countries. The majority of these casinos operate in the United States and England, primarily under the Caesars, Harrah’s, and Horseshoe brand names in the United States (the “U.S.”). Our casino entertainment facilities include 33 land-based casinos, 12 riverboat or dockside casinos, three managed casinos on Indian lands in the U.S., one managed casino in Canada, one casino combined with a greyhound racetrack, one casino combined with a thoroughbred racetrack, and one casino combined with a harness racetrack. Our 33 land-based casinos include one in Uruguay, nine in England, one in Scotland, two in Egypt, and one in South Africa. We view each property as an operating segment and aggregate all operating segments into one reportable segment.

On January 28, 2008, Caesars Entertainment was acquired by affiliates of Apollo Global Management, LLC (“Apollo”) and affiliates of TPG Capital, LP (together with such affiliates, “TPG” and, together with Apollo, the “Sponsors”) in an all-cash transaction (“the Acquisition”). As a result of the Acquisition and through December 31, 2011, our stock was not publicly traded.

Effective February 8, 2012, as the result of the Company’s initial public offering, our common stock trades on the NASDAQ Global Select Market under the symbol “CZR.” In connection with the public offering, the Company effected a 1.742-for-one split of its common stock. Unless otherwise stated, all applicable share and per-share data presented herein have been retroactively adjusted to give effect to this stock split. See Note 22, “Subsequent Events,” for additional discussion of the public offering.

BASIS OF PRESENTATION. Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), which require the use of estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and 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.

PRINCIPLES OF CONSOLIDATION. Our consolidated financial statements include the accounts of Caesars Entertainment and its subsidiaries after elimination of all intercompany accounts and transactions.

We consolidate into our financial statements the accounts of all wholly-owned subsidiaries and any partially-owned subsidiary that we have the ability to control. Control generally equates to ownership percentage, whereby investments that are more than 50% owned are consolidated, investments in affiliates of 50% or less but greater than 20% are generally accounted for using the equity method, and investments in affiliates of 20% or less are accounted for using the cost method.

We also consolidate into our financial statements the accounts of any variable interest entity for which we are determined to be the primary beneficiary. Up through and including December 31, 2011, we analyzed our variable interests to determine if the entity that is party to the variable interest is a variable interest entity in accordance with GAAP. Our analysis included both quantitative and qualitative reviews. Qualitative analysis is based on our review of the design of the entity, its organizational structure including decision-making ability, and financial agreements. Based on these analyses, there were no consolidated variable interest entities that were material to our consolidated financial statements.

CASH AND CASH EQUIVALENTS. Cash equivalents are highly liquid investments with maturities of less than three months from the date of purchase and are stated at the lower of cost or market value.

RESTRICTED CASH. At December 31, 2011, the Company has \$517.7 million of current and non-current restricted cash, which is included in our Consolidated Balance Sheet as \$66.6 million of prepayments and other current assets and \$451.1 million of restricted cash, respectively.

As more fully described in Note 7, “Debt”, in 2011, the Company borrowed \$450.0 million in a senior secured term facility under an unrestricted subsidiary of Caesars Entertainment Operating Company, Inc. (“CEOC”), which is the financing incurred

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to complete the Octavius Tower at Caesars Palace Las Vegas (“Project Octavius”) and to develop a retail, dining, and entertainment corridor located between the Imperial Palace Hotel and Casino and the Flamingo Las Vegas on the Las Vegas Strip (“Project Linq” and, together with Project Octavius, the “Development”). The borrowing is secured by the Development assets, and funds raised that have not been spent on the Development are deemed restricted and are included in restricted cash. Restricted cash also includes cash reserved under loan agreements for development projects and certain expenditures incurred in the normal course of business, such as interest service, real estate taxes, property insurance, and capital improvements. Specifically, the PHW Las Vegas senior secured loan requires that the Company maintain certain reserve funds in respect of furniture, fixtures, and equipment; capital improvements, interest service, taxes, and insurance; and the commercial mortgage-backed securities (“CMBS”) financing includes affirmative covenants that require the properties securing the CMBS financing to maintain certain reserve funds in respect of furniture, fixtures, and equipment, taxes, and insurance, and comply with other customary obligations for CMBS real estate financings.

ALLOWANCE FOR DOUBTFUL ACCOUNTS—GAMING. We reserve an estimated amount for gaming receivables that may not be collected. Methodologies for estimating the allowance for doubtful accounts range from specific reserves to various percentages applied to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific reserves.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY INVESTMENT OBLIGATIONS. The New Jersey Casino Control Act provides, among other things, for an assessment of licenses equal to 1.25% of gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions, or by depositing funds with the Casino Reinvestment Development Authority (“CRDA”). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. Upon initial obligation deposits made by the Company, an allowance is made to record the deposit at their expected eventual realizability upon conversion into bonds by the CRDA.

INVENTORIES. Inventories, which consist primarily of food, beverage, retail merchandise, and operating supplies, are stated at average cost.

PROPERTY AND EQUIPMENT. Additions to property and equipment are stated at cost. We capitalize the costs of improvements that extend the life of the asset. We expense maintenance and repair costs as incurred. Gains or losses on the dispositions of property and equipment are included in the determination of income.

Interest expense is capitalized on internally constructed assets at the applicable weighted-average borrowing rates of interest. Interest was capitalized totaling \$22.8 million, \$1.4 million, and \$32.4 million for the years ended December 31, 2011, 2010, and 2009, respectively.

Depreciation on our land concessions, buildings, riverboats, and equipment is provided using the straight-line method over the shorter of the estimated useful life of the asset or the related lease or concession term, as follows:

Land improvements	12 years
Land concessions	40 years
Buildings	30 to 40 years
Leasehold improvements	5 to 15 years
Riverboats and barges	30 years
Furniture, fixtures, and equipment	2 1/2 to 20 years

We review the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted, expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the estimated fair value of the asset. The factors considered by management in performing this assessment include current operating results, trends, and prospects, and the effect of obsolescence, demand, competition, significant decreases in marketplace, a change in physical condition, and legal and other economic factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the reporting unit level, which, for most of our assets, is the individual property.

GOODWILL AND OTHER INTANGIBLE ASSETS. The purchase price of an acquisition is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. We determine the estimated fair values after review and consideration of relevant information including discounted cash flows, quoted market prices, and estimates made by management. To the extent the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired and liabilities assumed, such excess is recorded as goodwill.

We determine the estimated fair value of each reporting unit as a function, or multiple, of EBITDA, and using estimated future cash flows discounted at rates commensurate with prevailing rates of return within the casino industry in general. Both EBITDA multiples and discounted cash flows are common measures used to value and buy or sell businesses such as casinos. We estimated the fair values of our non-amortizing intangible assets, other than goodwill, by using the relief from royalty and excess earnings methods under the income approach. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the reporting unit level, which, for most of our assets, is the individual property.

Each year, we perform a preliminary annual impairment assessment of goodwill and other non-amortizing intangible assets as of September 30. In the fourth quarter of each year, we update our preliminary assessment, once we finalize our long-term operating plan for the next fiscal year and certain other assumptions. We perform assessments for impairment of goodwill and other intangible assets more frequently if impairment indicators exist. The annual evaluation of goodwill and other non-amortizing intangible assets requires the use of estimates about future operating results, valuation multiples, and discount rates, to determine their estimated fair value. Changes in these assumptions can materially affect these estimates.

UNAMORTIZED DEBT ISSUE COSTS. Debt discounts or premiums and debt issue costs incurred in connection with the issuance of debt are capitalized and amortized to interest expense based on the related debt agreements primarily using the effective interest method. Unamortized discounts or premiums are written off and included in our gain or loss calculations to the extent we retire debt prior to its original maturity date. Unamortized debt issue costs are included in deferred charges and other in our Consolidated Balance Sheets.

DERIVATIVE INSTRUMENTS. Derivative instruments are recognized in the financial statements at fair value. Any changes in fair value are recorded in the statements of operations or in accumulated other comprehensive income/(loss) ("AOCI/(L)") within the equity section of the balance sheets, depending upon whether the derivative is designated and qualifies for hedge accounting, the type of hedge transaction, and the effectiveness of the hedge. The estimated fair values of our derivative instruments are based on market prices obtained from dealer quotes. Such quotes represent the estimated amounts we would receive or pay to terminate the contracts.

Our derivative instruments contain a credit risk that the counterparties may be unable to meet the terms of the agreements. We minimize that risk by evaluating the creditworthiness of our counterparties, which are limited to major banks and financial institutions. The fair values of our derivative instruments are adjusted for the credit rating of the counterparty if the derivative is an asset, or adjusted for the credit rating of the Company if the derivative is a liability.

TOTAL REWARDS POINT LIABILITY PROGRAM. Our customer loyalty program, Total Rewards, offers incentives to customers who gamble at certain of our casinos throughout the United States. Under the program, customers are able to accumulate, or bank, reward credits over time that they may redeem at their discretion under the terms of the program. The reward credit balance will be forfeited if the customer does not earn a reward credit over the prior six-month period. As a result of the ability of the customer to bank the reward credits, we accrue the expense of reward credits, after consideration of estimated forfeitures (referred to as "breakage"), as they are earned. The value of the cost to provide reward credits is expensed as the reward credits are earned and is included in direct casino expense in our Consolidated Statements of Operations. To arrive at the estimated cost associated with reward credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates, and the mix of goods and services for which reward credits will be redeemed. We use historical data to assist in the determination of estimated accruals. Such amounts are included within accrued expenses in the Consolidated Balance Sheets presented herein.

In addition to reward credits, customers at certain of our properties can earn points based on play that are redeemable in the form of credits payable at the gaming machine. We accrue the cost of redeemable points, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in casino promotional allowances in our Consolidated Statements of Operations.

SELF-INSURANCE ACCRUALS. We are self-insured up to certain limits for costs associated with general liability, workers' compensation, and employee health coverage. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims. In estimating these reserves, historical loss experience and judgments about the expected levels of costs per claim are considered. These claims are accounted for based on actuarial estimates of the undiscounted claims, including those claims incurred but not reported. We believe the use of actuarial methods to account for these liabilities provides a consistent and effective way to measure these highly judgmental accruals. We regularly monitor the potential for changes in estimates, evaluate our insurance accruals, and adjust our recorded provisions.

REVENUE RECOGNITION. Casino revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers' possession. Food and beverage, rooms, and other operating revenues are recognized when services are performed. Advance deposits on rooms and advance ticket sales are recorded as customer deposits until services are provided to the customer. The Company does not recognize as revenue taxes collected on goods or services sold to its customers.

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The retail value of accommodations, food and beverage, and other services furnished to guests without charge is included in gross revenues and then deducted as promotional allowances. The estimated cost of providing such promotional allowances is included in casino expenses as follows:

(In millions)	2011	2010	2009
Food and beverage	\$ 482.2	\$ 489.5	\$ 473.4
Rooms	191.9	191.3	190.4
Other	59.6	60.0	70.6
	<u>\$ 733.7</u>	<u>\$ 740.8</u>	<u>\$ 734.4</u>

ADVERTISING. The Company expenses the production costs of advertising the first time the advertising takes place. Advertising expense was \$192.2 million, \$199.7 million, and \$188.2 million for the years ended December 31, 2011, 2010, and 2009, respectively.

INCOME TAXES. We are subject to income taxes in the United States (including federal and state) and numerous foreign jurisdictions in which we operate. We record income taxes 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 loss and tax credit carryforwards. We reduce the carrying amounts of deferred tax assets by a valuation allowance if, based on the available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically based on the more likely than not realization threshold. This assessment considers, among other matters, the nature, frequency, and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, our experience with operating loss and tax credit carryforwards not expiring unused, and tax planning alternatives.

The effect on the income tax provision and deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. We have previously provided a valuation allowance on foreign tax credits, certain foreign and state net operating losses ("NOLs"), and other deferred foreign and state deferred tax assets. Certain foreign and state NOLs and other deferred foreign and state deferred tax assets were not deemed realizable because they are attributable to subsidiaries that are not expected to produce future earnings.

We classify reserves for tax uncertainties within accrued expenses and deferred credits and other in our Consolidated Balance Sheets, separate from any related income tax payable, which is also reported within accrued expenses, or deferred income taxes. Reserve amounts relate to any potential income tax liabilities resulting from uncertain tax positions, as well as potential interest or penalties associated with those liabilities.

We file income tax returns, including returns for our subsidiaries, with federal, state, and foreign jurisdictions. We are under regular and recurring audit by the Internal Revenue Service ("IRS") and various state taxing authorities on open tax positions, and it is possible that the amount of the liability for unrecognized tax benefits could change during the next 12 months.

ERROR CORRECTIONS AND RECLASSIFICATIONS. We have reclassified certain amounts in prior periods to conform to the current year presentation.

Subsequent to the filing of our 2010 Annual Report on Form 10-K (the "2010 10-K"), in the first quarter of 2011, the Company determined that \$64.9 million reported as cash and cash equivalents as of December 31, 2010 should have been reported as either current or non-current restricted cash at that date. The Consolidated Statement of Cash Flows for the year ended December 31, 2011 includes \$517.7 million of investing cash outflows for the funding of restricted cash balances. Included in the \$517.7 million of investing cash outflows is the \$64.9 million of restricted cash funded prior to 2011. Management determined that reclassifying the cash balances on the balance sheet and reporting the aggregate investing cash outflows was not a material correction of our 2010 financial statements and does not materially misstate our 2011 consolidated financial statements.

Subsequent to the filing of our quarterly report on Form 10-Q for the quarter and nine-months ended September 30, 2011, we identified certain deferred tax liabilities primarily related to transaction costs incurred in connection with the Acquisition, which had been incorrectly recorded in 2008, and not properly adjusted upon the 2009 receipt of the final transaction cost

reports. The net impact in 2011 of correcting for this error is to reduce our deferred tax liabilities by approximately \$57 million, reduce goodwill by approximately \$11 million, and recognize the difference of approximately \$46 million as an increase to income tax benefit. There are no cash impacts as a result of this correction, and this does not materially misstate our consolidated financial statements.

Note 2—Recently Issued Accounting Pronouncements

Effective January 1, 2011, we adopted revised guidance that modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. We did not have any reporting units with zero or negative carrying amounts as of our 2011 annual impairment assessment of goodwill and other non-amortizing intangible assets.

Effective January 1, 2011, we adopted new guidance for accounting for accruals for casino jackpot liabilities. The new guidance clarifies that an entity should not accrue jackpot liabilities (or portions thereof) before a jackpot is won if the entity can avoid paying that jackpot. Instead, jackpots should be accrued and charged to revenue when an entity has the obligation to pay the jackpot. This guidance applies to both base and progressive jackpots. Upon adoption, we recorded a decrease to our accrual in the amount of \$16.7 million (\$10.7 million net of tax) with a corresponding cumulative effect adjustment to accumulated deficit.

In April 2011, the Financial Accounting Standards Board (“FASB”) issued guidance related to a creditor’s determination of whether a restructuring is a troubled debt restructuring. The guidance clarifies how to identify restructurings of receivables that constitute troubled debt restructurings for a creditor. This new guidance became effective for us July 1, 2011 but did not have a material effect on our consolidated financial position, results of operations, or cash flows.

In May 2011, the FASB issued updated guidance related to fair value measurement and disclosure requirements. The changes result in common fair value measurement and disclosure requirements between U.S. GAAP and International Financial Reporting Standards (“IFRS”) and change the wording used to describe many of the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. The changes were originally to be effective for us January 1, 2012. In December 2011, the FASB issued updated guidance deferring the effective date indefinitely pending further deliberations by the FASB at a future date.

In June 2011, the FASB issued new guidance for the presentation of comprehensive income. The new guidance requires that all non-owner changes in stockholders’ equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The new requirements will be effective for us January 1, 2012. As this is a presentation and disclosure requirement, there will be no impact on our consolidated financial position, results of operations, or cash flows upon adoption.

In September 2011, the FASB issued updated guidance related to disclosures around an employer’s participation in multi-employer benefit plans. The updated guidance increases the quantitative and qualitative disclosures an employer will be required to provide about its participation in significant multi-employer plans that offer pension or other post-retirement benefits. The new disclosure requirements have been included in this Form 10-K, and, as this update relates only to disclosures, there was no impact on our consolidated financial position, results of operations, or cash flows upon adoption.

In September 2011, the FASB issued updated guidance related to goodwill impairment testing. The updated guidance allows an entity to perform a qualitative assessment on goodwill to determine whether it is more likely than not (defined as having a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The new guidance will be effective for us January 1, 2012.

In December 2011, the FASB issued updated guidance related to disclosures about offsetting assets and liabilities. The new guidance contains disclosure requirements regarding the nature of an entity’s rights of offset and related arrangements associated with its financial instruments and derivative instruments. The new disclosures are designed to make financial statements that are prepared under GAAP more comparable to those prepared under IFRS. To facilitate comparison between financial statements prepared under GAAP and IFRS, the new disclosures give financial statement users information about both gross and net exposures. The new disclosure requirements will be effective for us January 1, 2013.

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Note 3—Development and Acquisition Activity

Suffolk Downs

In March 2011, we acquired an interest in Sterling Suffolk Racecourse, LLC, which owns a horse-racing track in Massachusetts, along with an option to purchase additional interests and the right to manage a potential future gaming facility. The consideration paid for this investment has been recorded as an amortizing intangible asset, representing the right to manage a potential future gaming facility, with amortization commencing upon the future opening date of such facility. Our interest is accounted for using the cost method of accounting.

Baltimore, Maryland

In September 2011, we filed an application with the State of Maryland for the license to operate a video lottery terminal (“VLT”) facility in the City of Baltimore. The application was filed on behalf of a venture that includes Caesars Entertainment as the lead investor and facility manager, Rock Gaming, LLC, CVPR Gaming Holdings, LLC, and The Stronach Group.

The consideration paid to the State of Maryland along with the bid for the license has been recorded as a non-amortizing intangible asset.

Acquisition of Playtika Ltd.

In May 2011, Caesars Interactive Entertainment Israel, Ltd. (“CIEI”), a subsidiary of Caesars Interactive Entertainment, Inc., which is a majority-owned subsidiary of Caesars Entertainment, acquired 51% of the voting equity interests of Playtika Ltd. (“Playtika”), a social games developer based in Israel. The results of Playtika for periods subsequent to the acquisition are consolidated with our results.

The purchase price of Playtika was allocated based upon estimated fair values of the assets acquired and liabilities assumed, with the excess of estimated fair value over net tangible and intangible assets acquired recorded as goodwill. The purchase price allocation includes assets and liabilities of Playtika as follows:

<u>(In millions)</u>	<u>May 16, 2011</u>
Assets	
Total current assets	\$ 6.5
Goodwill	50.7
Intangible assets other than goodwill	25.0
	<u>82.2</u>
Liabilities	
Total current liabilities	(5.9)
Total long term liabilities	(5.3)
Redeemable non-controlling interests	(36.0)
Net assets acquired	<u>\$ 35.0</u>

The Company finalized the purchase price allocations during fourth quarter 2011.

CIEI purchased the remaining 49% of Playtika in December 2011 bringing CIEI’s ownership of Playtika to 100%. The non-controlling interest acquired was adjusted to its acquisition-date fair value by recording a reduction to equity of \$31.5 million. There was no gain or loss recognized as a result of remeasuring the redeemable non-controlling interests to its acquisition-date fair value.

Acquisition of Planet Hollywood

In February 2010, CEOC, a wholly-owned subsidiary of Caesars Entertainment, acquired 100% of the equity interests of PHW Las Vegas, LLC (“PHW Las Vegas”), which owns the Planet Hollywood Resort and Casino (“Planet Hollywood”) located in Las Vegas, Nevada. PHW Las Vegas is an unrestricted subsidiary of CEOC and, therefore, not a borrower under CEOC’s credit facilities.

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CEOC paid \$67.2 million, substantially during the second half of 2009, for the combination of their initial debt investment in certain predecessor entities of PHW Las Vegas and certain interest-only participations associated with the debt of certain predecessor entities of PHW Las Vegas.

In connection with this transaction, PHW Las Vegas assumed a \$554.3 million, face value, senior secured loan, and a subsidiary of CEOC canceled certain debt issued by PHW Las Vegas' predecessor entities. In connection with the transaction and the assumption of debt, PHW Las Vegas entered into an amended and restated loan agreement (the "Amended and Restated Loan Agreement") as discussed below in Note 7, "Debt."

The purchase price of PHW Las Vegas was allocated based upon estimated fair values of the assets acquired and liabilities assumed, with the excess of estimated fair value over net tangible and intangible assets acquired recorded as goodwill. During 2011, purchase price allocation was finalized and the supporting valuations and related assumptions, concluding on assets and liabilities of PHW Las Vegas as follows:

<u>(In millions)</u>	<u>February 19, 2010</u>
Assets	
Total current assets	\$ 52.2
Land, buildings, and equipment	461.0
Goodwill	24.4
Intangible assets other than goodwill	5.4
Deferred charges and other	4.6
	<u>547.6</u>
Liabilities	
Total current liabilities	(35.0)
Long-term debt, net of discount	(433.3)
Deferred credits and other	(12.6)
	<u>(480.9)</u>
Net assets acquired	<u>\$ 66.7</u>

Acquisition of Thistledown Racetrack

In May 2010, CEOC entered into an agreement to purchase the assets of Thistledown Racetrack. The acquisition was completed on July 28, 2010 at a cost of approximately \$42.5 million. The results of Thistledown Racetrack for periods subsequent to July 2010 were consolidated with our results.

The purchase price of Thistledown Racetrack was allocated based on estimated fair values of the assets acquired and liabilities assumed, with the excess of estimated fair value over net tangible and intangible assets acquired recorded as goodwill. During the third quarter 2011, CEOC finalized its purchase price allocation and the supporting valuations and related assumptions. The final purchase price allocation includes assets, liabilities, and net assets acquired of Thistledown Racetrack of \$46.8 million, \$4.3 million, and \$42.5 million, respectively.

Venture with Rock Gaming, LLC

In December 2010, we formed a venture, Rock Ohio Caesars LLC, with Rock Gaming, LLC ("Rock Gaming"), to pursue casino developments in Cincinnati and Cleveland. Pursuant to the agreements forming the venture, we have committed to invest up to \$200.0 million for an approximate 30.0% interest in the venture. As part of our investment, we plan to contribute Thistledown Racetrack to the venture. The casino developments will be managed by subsidiaries of CEOC.

In August 2011, Rock Gaming exercised a contractual right to buy down a portion of our interest in the venture. Pursuant to this right, Rock Gaming contributed capital to the venture disproportionately with its existing ownership interest, lowering our ownership interest in the venture to 20.0%.

The venture obtained financing for the casinos in August 2011. Completion of the casino developments is subject to a number of conditions, including, without limitation, receipt of the necessary licensing to operate casinos in the State of Ohio.

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During 2011, the Company contributed an additional \$16.0 million into its venture with Rock Gaming, bringing its total cash contribution to the venture to \$80.0 million. This contribution is included in “Investments in and advances to nonconsolidated affiliates” in our Consolidated Balance Sheet.

Note 4—Property and Equipment, net

Property and equipment, net consisted of the following:

(In millions)	As of December 31,	
	2011	2010
Land and land improvements	\$ 7,460.8	\$ 7,405.9
Land concessions	606.7	625.2
Buildings, riverboats, and improvements	9,103.5	8,824.0
Furniture, fixtures, and equipment	2,415.2	2,242.0
Construction in progress	361.1	661.0
	19,947.3	19,758.1
Less: accumulated depreciation	(2,681.3)	(1,991.5)
	<u>\$17,266.0</u>	<u>\$17,766.6</u>

Depreciation and amortization expense for the years ended December 31, 2011, 2010, and 2009, was \$724.7 million, \$747.0 million, and \$697.2 million, respectively, and is included in depreciation and amortization and corporate expense in our Consolidated Statements of Operations.

Note 5—Goodwill and Other Intangible Assets

The following table sets forth changes in the carrying value of goodwill:

(In millions)	As of December 31,	
	2011	2010
Beginning goodwill gross balance	\$ 9,496.1	\$ 9,440.1
Additions or adjustments	46.9	56.0
Ending goodwill gross balance	9,543.0	9,496.1
Accumulated goodwill impairment changes	(6,078.2)	(6,075.2)
Ending goodwill net balance	<u>\$ 3,464.8</u>	<u>\$ 3,420.9</u>

Each year we perform a preliminary annual impairment assessment of goodwill and other non-amortizing intangible assets as of September 30. In the fourth quarter of each year, we update our preliminary assessment, once we finalize the long-term operating plan for the next fiscal year and certain other assumptions. We perform assessments more frequently if impairment indicators exist.

For our assessment, we determine the estimated fair value of each reporting unit as a function, or multiple, of EBITDA, combined with estimated future cash flows discounted at rates commensurate with prevailing rates of return within the casino industry in general. Both EBITDA multiples and discounted cash flows are common measures used to value and buy or sell businesses such as casinos. We determine the estimated fair values of our non-amortizing intangible assets by using the relief from royalty and excess earnings methods under the income approach.

Our preliminary annual impairment assessment as of September 30, 2011 did not result in any impairment charges. We finalized our annual impairment assessment during the fourth quarter of 2011 and, as a result of the final assessment, we recorded an impairment charge of \$11.0 million, primarily as a result of adjustments to our long-term operating plan.

In 2010, due to weak economic conditions in certain gaming markets in which we operate, we performed an interim assessment of goodwill and other non-amortizing intangible assets for impairment in the second quarter. This analysis resulted in an impairment charge of \$100.0 million. During the third quarter, we completed a preliminary annual assessment of goodwill and other non-amortizing intangible assets as of September 30, which resulted in an impairment charge of \$44.0 million. We finalized our annual assessment during the fourth quarter, and, as a result of the final assessment, we recorded an impairment charge of \$49.0 million, which brought the aggregate charges recorded for the year ended December 31, 2010 to \$193.0 million. These impairment charges were primarily a result of adjustments to our long-term operating plan.

In 2009, due to the relative impact of weak economic conditions on certain properties in the Las Vegas market, we performed an interim assessment of goodwill and other non-amortizing intangible assets for impairment during the second quarter. This analysis resulted in an impairment charge of \$297.1 million. During the third quarter, we completed a preliminary annual assessment of goodwill and other non-amortizing intangible assets as of September 30, which resulted in an impairment charge of \$1,328.6 million. We finalized our annual assessment during fourth quarter, and as a result of the final assessment, we recorded an impairment charge of \$12.3 million, which brought the aggregate charges recorded for the year ended December 31, 2009 to \$1,638.0 million. These impairment charges were primarily a result of adjustments to our long-term operating plan as a result of the then-current economic climate.

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In March 2010, the Company paid \$19.5 million to a former owner of Chester Downs for resolution of the final contingency associated with the Company's purchase of additional interest in this property. This payment was recorded as goodwill. The acquisitions of Planet Hollywood and Thistledown Racetrack also added \$36.5 million in goodwill during 2010. The acquisition of Playtika added \$50.7 million in goodwill during 2011.

The table below summarizes our impairment charges for goodwill and other non-amortizing intangible assets:

(In millions)	Year ended December 31,		
	2011	2010	2009
Goodwill	\$ 3.0	\$ 92.0	\$1,445.3
Trademarks	8.0	20.0	106.7
Gaming rights and other	—	81.0	86.0
Total impairment of goodwill and other non-amortizing intangible assets	<u>\$11.0</u>	<u>\$193.0</u>	<u>\$1,638.0</u>

The following table provides the gross carrying value and accumulated amortization for each major class of intangible assets other than goodwill:

(In millions)	December 31, 2011				December 31, 2010		
	Weighted Average Remaining Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets							
Customer relationships	7.9	\$1,456.7	\$ (492.4)	\$ 964.3	\$1,456.9	\$ (366.5)	\$1,090.4
Contract rights	2.8	144.4	(52.3)	92.1	132.5	(85.6)	46.9
Patented technology	4.5	118.9	(45.9)	73.0	93.5	(34.1)	59.4
Gaming rights	12.5	42.8	(10.2)	32.6	42.8	(7.6)	35.2
Trademarks	1.1	7.8	(6.1)	1.7	7.8	(4.6)	3.2
		<u>\$1,770.6</u>	<u>\$ (606.9)</u>	<u>1,163.7</u>	<u>\$1,733.5</u>	<u>\$ (498.4)</u>	<u>1,235.1</u>
Non-amortizing intangible assets							
Trademarks				1,908.7			1,916.7
Gaming rights				1,583.5			1,560.0
				<u>3,492.2</u>			<u>3,476.7</u>
Total intangible assets other than goodwill				<u>\$4,655.9</u>			<u>\$4,711.8</u>

In June 2010, the Company paid \$16.5 million to the State of Pennsylvania for the right to operate table games at Harrah's Chester. This payment was recorded as a non-amortizing intangible asset.

The aggregate amortization expense for those intangible assets that continue to be amortized is reflected in amortization of intangible assets in the statement of operations and was \$156.7 million, \$160.8 million and \$174.8 million for the years ended December 31, 2011, 2010 and 2009, respectively. Estimated annual amortization expense for the years ending December 31, 2012, 2013, 2014, 2015, 2016, and thereafter is \$159.9 million, \$157.5 million, \$147.3 million, \$147.3 million, \$135.5 million, and \$416.2 million, respectively.

Note 6—Detail of Accrued Expenses

Accrued expenses consisted of the following:

(In millions)	As of December 31,	
	2011	2010
Payroll and other compensation	\$ 227.3	\$ 213.6
Self-insurance claims and reserves	209.2	215.7
Accrued taxes	147.4	133.2
Total Rewards liability	55.9	57.7
Other accruals	437.3	454.1
	<u>\$1,077.1</u>	<u>\$1,074.3</u>

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Note 7—Debt

The following table presents our outstanding debt as of December 31, 2011 and 2010:

<u>Detail of Debt (dollars in millions)</u>	<u>Final Maturity</u>	<u>Rate(s) at Dec. 31, 2011</u>	<u>Face Value at Dec. 31, 2011</u>	<u>Book Value at Dec. 31, 2011</u>	<u>Book Value at Dec. 31, 2010</u>
Credit Facilities					
Term Loans B1 - B3	2015	3.29%-3.58%	\$ 5,000.5	\$ 5,000.5	\$ 5,815.1
Term Loan B4	2016	9.50%	980.0	961.2	968.3
Term Loan B5	2018	4.67%	1,222.7	1,218.2	—
Revolving Credit Facility	2014	4.75%	155.0	155.0	—
Secured Debt					
Senior Secured Notes	2017	11.25%	2,095.0	2,054.6	2,049.7
CMBS Financing	2015*	3.28%	5,031.5	5,026.0	5,182.3
Second-Priority Senior Secured Notes	2018	12.75%	750.0	742.1	741.3
Second-Priority Senior Secured Notes	2018	10.00%	4,553.1	2,131.2	2,033.3
Second-Priority Senior Secured Notes	2015	10.00%	214.8	164.2	156.2
Chester Downs term loan	2016	12.38%	229.9	221.3	237.5
PHW Las Vegas Senior Secured Loan	2015**	3.14%	515.6	417.9	423.8
Linq/Octavius Senior Secured Loan	2017	9.25%	450.0	445.9	—
Other	Various	4.25%-6.0%	—	—	1.4
Subsidiary-guaranteed Debt					
Senior Notes	2016	10.75%	478.6	478.6	478.6
Senior PIK Toggle Notes	2018	10.75%/11.5%	8.6	8.6	10.5
Unsecured Senior Debt					
5.375%	2013	5.375%	125.2	108.6	101.6
7.0%	2013	7.0%	0.6	0.6	0.6
5.625%	2015	5.625%	364.5	287.7	273.9
6.5%	2016	6.5%	248.7	190.6	183.8
5.75%	2017	5.75%	153.7	107.2	105.5
Floating Rate Contingent Convertible Senior Notes	2024	0.40%	0.2	0.2	0.2
Other Unsecured Borrowings					
Special improvement district bonds	2037	5.30%	65.7	65.7	67.1
Other	Various	Various	0.4	0.4	1.0
Capitalized Lease Obligations					
Various	to 2014	1.10%-9.49%	13.6	13.6	9.4
Total debt			22,657.9	19,799.9	18,841.1
Current portion of long-term debt			(45.3)	(40.4)	(55.6)
Long-term debt			<u>\$ 22,612.6</u>	<u>\$ 19,759.5</u>	<u>\$ 18,785.5</u>

* We are permitted to extend the maturity of the CMBS Financing from 2013 to 2015, subject to certain conditions described below, in connection with the amendment to the CMBS Facilities

** On October 26, 2011, we exercised the option to extend the PHW Las Vegas senior secured loan to 2013. The loan contains an additional extension option to move its maturity from 2013 to 2015, subject to certain conditions described below.

As of December 31, 2011 and 2010, book values of debt are presented net of unamortized discounts, net of premiums, of \$2,858.0 million and \$3,006.6 million, respectively.

Our current maturities of debt include required interim principal payments on certain Term Loans, the Chester Downs term loan, the special improvement district bonds and capitalized lease obligations.

As of December 31, 2011, aggregate annual principal maturities for the four years subsequent to 2012, assuming all conditions to extend the maturities of the CMBS Financing and the PHW Las Vegas senior secured loan are met and such maturities are extended, were as follows: 2013, \$170.7 million; 2014, \$193.9 million; 2015, \$11,123.6 million; and 2016, \$1,856.9 million. These maturities do not reflect the debt offering and credit facility amendments that were completed in February 2012. See Note 22, "Subsequent Events" for more information.

Credit Agreement

In connection with the Acquisition, CEOC entered into the senior secured credit facilities (the “Credit Facilities”). This financing is neither secured nor guaranteed by Caesars Entertainment’s other direct, wholly-owned subsidiaries, including the subsidiaries that own properties that are security for the CMBS Financing.

On May 20, 2011, CEOC amended its Credit Facilities to, among other things: (i) allow CEOC to buy back loans from individual lenders at negotiated prices at any time, which may be less than par, (ii) allow CEOC to extend the maturity of term loans or revolving commitments, as applicable, and for CEOC to otherwise modify the terms of loans or revolving commitments in connection with such an extension, and (iii) modify certain other provisions of the credit facilities. CEOC also extended its Credit Facilities by (i) converting \$799.4 million of B-1, B-2 and B-3 term loans held by consenting lenders to B-5 term loans with an extended maturity date of January 28, 2018 and a higher interest rate with respect to such extended term loans (the “Extended Term Loans”) and (ii) converting \$423.3 million of revolver commitments held by consenting lenders into Extended Term Loans.

As of December 31, 2011, our Credit Facilities provide for senior secured financing of up to \$8,410.0 million, consisting of (i) senior secured term loan facilities in an aggregate principal amount of \$7,203.2 million with \$5,000.5 million maturing on January 28, 2015, \$980.0 million maturing on October 31, 2016 (the \$980.0 million borrowing defined as the “Incremental Loans”), and \$1,222.7 million maturing on January 28, 2018 and (ii) a senior secured revolving credit facility in an aggregate principal amount of up to \$1,206.8 million, maturing January 28, 2014, including both a letter of credit sub-facility and a swingline loan sub-facility. The term loans under the Credit Facilities require scheduled quarterly payments of \$5.9 million, with the balance due at maturity. A total of \$7,358.2 million face amount of borrowings were outstanding under the Credit Facilities as of December 31, 2011, with \$113.5 million of the revolving credit facility committed to outstanding letters of credit. After consideration of these borrowings and letter of credit commitments, \$938.2 million of additional borrowing capacity was available to the Company under its revolving credit facility as of December 31, 2011.

On March 1, 2012, CEOC amended its Credit Facilities. See Note 22, “Subsequent Events” for more information.

CMBS Financing

The properties securing our commercial mortgage-backed securities (“CMBS properties”) originally borrowed \$6,500.0 million of CMBS financing (the “CMBS Financing”). The CMBS Financing is secured by the assets of the CMBS properties and certain aspects of the financing are guaranteed by Caesars Entertainment. The CMBS properties are Harrah’s Las Vegas, Rio, Flamingo Las Vegas, Harrah’s Atlantic City, Paris Las Vegas, and Harrah’s Laughlin.

On August 31, 2010, we executed an agreement with the lenders to amend the terms of our CMBS Financing to, among other things, (i) provide our subsidiaries that are borrowers under the CMBS mortgage loan and/or related mezzanine loans (“CMBS Loans”) the right to extend the maturity of the CMBS Loans by up to two years until February 2015, (ii) amend certain terms of the CMBS Loans with respect to reserve requirements, collateral rights, property release prices, and the payment of management fees, (iii) provide for ongoing mandatory offers to repurchase CMBS Loans using excess cash flow from the CMBS properties at discounted prices, (iv) provide for the amortization of the mortgage loan in certain minimum amounts upon the occurrence of certain conditions, and (v) provide for certain limitations with respect to the amount of excess cash flow from the CMBS properties that may be distributed to us. Any CMBS Loan purchased pursuant to the amendments will be canceled.

With respect to the CMBS Financing, the initial maturity date of this loan is February 13, 2013, with two successive 1-year extension options. The conditions to the first extension of the initial maturity date to February 13, 2014 (the “first extended maturity date”) are (i) no default or event of default on the initial maturity date, (ii) notice of the election of the extension, (iii) delivery of an officer’s certificate reaffirming and restating the representations and warranties in the loan agreements as of the initial maturity date, (iv) if the interest rate cap agreement then in effect is scheduled to mature prior to the first extended maturity date, the borrowers shall have obtained new or extended interest rate cap agreements extending the agreement through the first extended maturity date and (v) the borrowers shall have paid a 50 bps extension fee in respect of such extension. The conditions to the extension of the first extended maturity date to February 13, 2015 (the “second extended maturity date”) are (i) no default or event of default on the first extended maturity date, (ii) notice of the election of the extension, (iii) delivery of an officer’s certificate reaffirming and restating the representations and warranties in the loan agreements as of the first extended maturity date, (iv) if the interest rate cap agreement then in effect is scheduled to mature prior to the second extended maturity date, the borrowers shall have obtained new or extended interest rate cap agreements extending the agreement through the second extended maturity date and (v) the borrowers shall have paid a 50 bps extension fee in respect of such extension.

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Pursuant to the terms of the amendment as initially agreed to in March 2010, we agreed to pay lenders selling CMBS Loans during the fourth quarter 2009 an additional \$47.4 million for their loans previously sold, to be paid no later than December 31, 2010. This additional liability was recorded as a loss on early extinguishment of debt during the first quarter of 2010 and was paid during the fourth quarter of 2010.

In June 2010, we purchased \$46.6 million face value of CMBS Loans for \$22.6 million, recognizing a net gain on the transaction of approximately \$23.3 million during the second quarter of 2010. In September 2010, in connection with the execution of the amendment, we purchased \$123.8 million face value of CMBS Loans for \$37.1 million, of which \$31.0 million was paid at the closing of the CMBS amendment, and the remainder of which was paid during fourth quarter 2010. We recognized a pre-tax gain on the transaction of approximately \$77.4 million, net of deferred finance charges. In December 2010, we purchased \$191.3 million of face value of CMBS Loans for \$95.6 million, recognizing a pre-tax gain of \$66.9 million, net of deferred finance charges.

In March 2011, we purchased \$108.1 million of face value of CMBS Loans for \$73.5 million, recognizing a pre-tax gain of \$33.2 million, net of deferred finance charges. In April 2011, we purchased \$50.0 million of face value of CMBS Loans for \$35.0 million, recognizing a pre-tax gain of \$14.3 million, net of deferred finance charges.

As part of the amended CMBS Loan Agreement, in order to extend the maturity of the CMBS Loans under the extension option, we are required to extend our interest rate cap agreement to cover the two years of extended maturity of the CMBS Loans, with a maximum aggregate purchase price for such extended interest rate cap for \$5.0 million. We funded the \$5.0 million obligation on September 1, 2010, in connection with the closing of the amendment to the CMBS Loan Agreement.

PHW Las Vegas senior secured loan

In February 2010, CEOC acquired 100% of the equity interests of PHW Las Vegas, which owns the Planet Hollywood Resort and Casino located in Las Vegas, Nevada. In connection with this transaction, PHW Las Vegas assumed a \$554.3 million, face value, senior secured loan, and a subsidiary of CEOC canceled certain debt issued by PHW Las Vegas' predecessor entities. The outstanding amount is secured by the assets of PHW Las Vegas and is non-recourse to other subsidiaries of the Company.

In connection with the transaction and the assumption of debt, PHW Las Vegas entered into the Amended and Restated Loan Agreement with Wells Fargo Bank, N.A., as trustee for The Credit Suisse First Boston Mortgage Securities Corp. Commercial Mortgage Pass-Through Certificates, Series 2007-TFL2 ("Lender"). On October 26, 2011, we exercised the option to extend the PHW Las Vegas senior secured loan to 2013. The loan contains an additional extension option which, if exercised, would extend its maturity until April 2015. The conditions to extend the maturity date are (i) no default or event of default on the date that notice of the extension is given and on the first extended maturity date of December 9, 2013, (ii) notice of the election of the extension, (iii) the purchase of an interest rate cap (or provision of an acceptable alternative letter of credit or other support) with a strike price such that our Debt Service Coverage Ratio is at least 1.10:1.00 as of the first extended maturity date and (iv) the ratio of (a) the Adjusted Net Cash Flow (defined as gross income from operations less operating expenses less 3% of gross income from operations) for the trailing twelve calendar month period to (b) the outstanding principal balance of the loan as of the first extended maturity date is not less than 9%.

PHW Las Vegas is an unrestricted subsidiary of CEOC and, therefore, not a borrower under CEOC's Credit Facilities. A subsidiary of CEOC manages the property for PHW Las Vegas for a fee.

PHW Las Vegas may, at its option, voluntarily prepay the loan in whole or in part upon twenty (20) days prior written notice to Lender. PHW Las Vegas is required to prepay the loan in (i) the amount of any insurance proceeds received by Lender for which Lender is not obligated to make available to PHW Las Vegas for restoration in accordance with the terms of the Amended and Restated Loan Agreement, (ii) the amount of any proceeds received from the operator of the timeshare property adjacent to the Planet Hollywood Resort and Casino, subject to the limitations set forth in the Amended and Restated Loan Agreement, and (iii) the amount of any excess cash remaining after application of the cash management provisions of the Amended and Restated Loan Agreement.

Octavius and Linq Projects

On April 25, 2011, the Company, together with certain indirect wholly-owned subsidiaries of CEOC (the "Borrowers") entered into a credit agreement (the "Octavius/Linq Credit Agreement") pursuant to which the Borrowers incurred financing to complete the Development. The Octavius/Linq Credit Agreement provides for a \$450.0 million senior secured term facility (the "Term Facility") with a six-year maturity, which is secured by all material assets of the Borrowers. The proceeds of the Term Facility were funded during the second quarter and are included as restricted cash on the Company's balance sheet until drawn to pay for costs incurred in the Development. These funds are being used by the Borrowers to finance the Development and to pay fees and expenses incurred in connection with the Term Facility and the transactions related thereto.

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As a condition to the provision of the Term Facility, the Company provided a completion guarantee (the “Completion Guaranty”) with respect to the Development, which guarantees completion of the construction of the Development, availability of contemplated working capital and receipt of material permits and licenses necessary to open and operate the Development. The maximum liability of the Company under the completion guarantee is \$25.0 million in respect of Project Octavius and \$75.0 million in respect of Project Linq.

In connection with the Development and the Term Facility, the Company contributed the existing Octavius Tower and related assets to one of the Borrowers, the book value of which was \$312.0 million. In August 2011, the Company completed the contribution of the existing O’Shea’s casino (adjacent to the Flamingo Las Vegas) and related real property and other assets comprising the components of Project Linq to one of the Borrowers, the book value of which was \$319.2 million. In connection with Project Octavius, one of the Borrowers leases the Octavius Tower to a wholly-owned subsidiary of CEOC. Upon completion of Project Linq, one of the Borrowers will lease the gaming space in Project Linq to a wholly-owned subsidiary of CEOC. The total lease payments will be \$50.0 million annually once the Development is open. As described above, CEOC has guaranteed certain of the obligations of the lessees under the Project Octavius and Project Linq leases.

Pursuant to the Octavius/Linq Credit Agreement, the Company is required to make cash contributions to the Borrowers from time to time to fund a total equity commitment to the Development of \$76.0 million. In addition, from time to time, the Company may be required to make additional cash contributions to the Borrowers to fund certain portions of the Development upon the occurrence of certain conditions. In addition to potential contributions pursuant to the Completion Guaranty, the Company has guaranteed all payments of interest under the Term Facility until the commencement of operations of the Octavius Tower and Project Linq and guaranteed the performance of the Borrowers of the first lien leverage ratio maintenance covenant (the “Performance Guarantee”) by agreeing, upon certain conditions, to make cash equity contributions to the Borrowers from time to time pursuant to the terms of the Term Facility. The maximum liability of the Company under the performance guarantee is \$50.0 million. Except in the circumstances described above, neither the Company nor CEOC has any material obligations under the Term Facility, and the Term Facility is non-recourse to the Company or CEOC.

The Octavius/Linq Credit Agreement requires that the Borrowers maintain certain reserve funds in respect of furniture, fixtures, and equipment, capital improvements, interest service, taxes, and insurance. Amounts deposited into the specified reserve funds represent restricted cash. In addition, the Octavius/Linq Credit Agreement requires up to 50.0% of excess cash flow (as defined in the agreement), depending on the Senior Secured Leverage Ratio for that period, be applied to prepay the Term Facility.

Other Financing Transactions

On October 8, 2010, Chester Downs and Marina LLC (“Chester Downs”), a majority-owned subsidiary of CEOC and owner of Harrah’s Chester, amended its existing senior secured term loan facility to obtain an additional \$40.0 million term loan. The additional loan has substantially the same terms as the existing term loan with respect to interest rates, maturity, and security. On February 3, 2012, Chester Downs issued \$330.0 million of notes and repaid its term loan. See Note 22, “Subsequent Events,” for more information.

Exchange Offers, Debt Repurchases, and Open Market Purchases

From time to time, we may retire portions of our outstanding debt in open market purchases, privately negotiated transactions, or otherwise. These purchases will be funded through available cash from operations and from our established debt programs. Such purchases are dependent on prevailing market conditions, the Company’s liquidity requirements, contractual restrictions, and other factors.

Issuances and Redemptions

During the second quarter of 2010, CEOC completed the offering of \$750.0 million aggregate principal amount of 12.75% second-priority senior secured notes due 2018 and used the proceeds of this offering to redeem or repay the following outstanding debt:

<u>Debt (dollars in millions)</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Face Value</u>
5.5% Senior Notes	2010	5.5%	\$ 191.6
8.0% Senior Notes	2011	8.0%	13.2
8.125% Senior Subordinated Notes	2011	8.125%	12.0
Revolving Credit Facility	2014	3.23%-3.25%	525.0

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In connection with the retirement of the outstanding senior and senior subordinated notes above, CEOC recorded a pre-tax loss of \$4.7 million during the second quarter of 2010.

In June 2010, Caesars Entertainment announced an agreement under which affiliates of each of Apollo, TPG, and Paulson were to exchange approximately \$1,118.3 million face amount of debt for approximately 15.7% of the common equity of Caesars Entertainment, subject to regulatory approvals and certain other conditions. In connection with the transaction, the Sponsors and Paulson purchased approximately \$835.4 million, face amount, of CEOC notes that were held by another subsidiary of Caesars Entertainment for aggregate consideration of approximately \$557.0 million, including accrued interest. The notes that were purchased, together with \$282.9 million face amount of notes they had previously acquired, were exchanged for equity in the fourth quarter of 2010. The notes exchanged for equity are held by a subsidiary of Caesars Entertainment and remain outstanding for purposes of CEOC. The exchange was accounted for as an equity transaction.

In February 2012, CEOC completed a private-placement note offering and amended its Credit Facilities as more fully described in Note 22, “Subsequent Events.”

Interest and Fees

Borrowings under the Credit Facilities, other than borrowings under the Incremental Loans and the Extended Term Loans, bear interest at a rate equal to the then-current LIBOR rate, or at a rate equal to the alternate base rate, in each case plus an applicable margin. As of December 31, 2011, the Credit Facilities, other than borrowings under the Incremental Loans and the Extended Term Loans, bore interest at LIBOR plus 300 basis points for the term loans. The revolver loan bore interest at LIBOR plus 300 basis points or the alternate base rate plus 200 basis points. The swingline loan bore interest at the alternate base rate plus 150 basis points.

Borrowings under the Incremental Loans bear interest at a rate equal to either the alternate base rate or the greater of (i) the then-current LIBOR rate or (ii) 2.0%; in each case plus an applicable margin. At December 31, 2011, borrowings under the Incremental Loans bore interest at the minimum base rate of 2.0%, plus 750 basis points.

Borrowings under the Extended Term Loans bear interest at a rate equal to either the alternate base rate or the then-current LIBOR rate, plus an applicable margin. At December 31, 2011, borrowings under the Extended Term Loans bore interest at LIBOR plus 425 basis points.

In addition, on a quarterly basis, we are required to pay each lender (i) a commitment fee in respect of any unborrowed amounts under the revolving credit facility and (ii) a letter of credit fee in respect of the aggregate face amount of outstanding letters of credit under the revolving credit facility. As of December 31, 2011, the Credit Facilities bore a commitment fee for unborrowed amounts of 50 basis points. Certain of the interest rates changed in conjunction with the amendment to the CEOC Credit Facilities described in Note 22, “Subsequent Events.”

We make monthly interest payments on our CMBS Financing. Our Senior Secured Notes, including the Second-Priority Senior Secured Notes, and our unsecured debt, which is fixed-rate debt, have semi-annual interest payments, with the majority of those payments on June 15 and December 15.

The amount outstanding under the PHW Las Vegas senior secured loan bears interest at a rate per annum equal to LIBOR plus 2.859%. A subsidiary of CEOC owns interest-only participations in a portion of the PHW Las Vegas senior secured loan that bear interest at a fixed rate equal to 1.59% per year.

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The Linq/Octavius Term Facility bears interest at a rate equal to either the alternate base rate, plus an applicable margin or the greater of (i) the then-current LIBOR rate or (ii) 1.25%, in each case plus an applicable margin. At December 31, 2011, borrowings under the agreement bore interest at the minimum base rate of 1.25%, plus 800 basis points.

Collateral and Guarantors

CEOC's Credit Facilities are guaranteed by Caesars Entertainment and are secured by a pledge of CEOC's capital stock and by substantially all of the existing and future property and assets of CEOC and its material, wholly-owned domestic subsidiaries, including a pledge of the capital stock of CEOC's material, wholly-owned domestic subsidiaries and 65.0% of the capital stock of the first-tier foreign subsidiaries, in each case subject to exceptions. The following casino properties have mortgages under the Credit Facilities:

<u>Las Vegas</u>	<u>Atlantic City</u>	<u>Louisiana/Mississippi</u>	<u>Iowa/Missouri</u>
Caesars Palace	Bally's Atlantic City	Harrah's New Orleans	Harrah's St. Louis
Bally's Las Vegas	Caesars Atlantic City	(Hotel only)	Harrah's Council Bluffs
Imperial Palace	Showboat Atlantic City	Harrah's Louisiana Downs	Horseshoe Council Bluffs/ Bluffs Run
Bill's Gamblin' Hall & Saloon		Horseshoe Bossier City	
		Harrah's Tunica	
		Horseshoe Tunica	
		Tunica Roadhouse Hotel & Casino	
<u>Illinois/Indiana</u>	<u>Other Nevada</u>		
Horseshoe Southern Indiana	Harrah's Reno		
Harrah's Metropolis	Harrah's Lake Tahoe		
Horseshoe Hammond	Harveys Lake Tahoe		

Additionally, certain undeveloped land in Las Vegas also is mortgaged.

In connection with PHW Las Vegas' Amended and Restated Loan Agreement, Caesars Entertainment entered into a Guaranty Agreement (the "Guaranty") for the benefit of the Lender, pursuant to which Caesars Entertainment guaranteed to the Lender certain recourse liabilities of PHW Las Vegas. Caesars Entertainment's maximum aggregate liability for such recourse liabilities is limited to \$30.0 million, provided that such recourse liabilities of PHW Las Vegas do not arise from (i) events, acts, or circumstances that are actually committed by, or voluntarily or willfully brought about by, Caesars Entertainment or (ii) event, acts, or circumstances (regardless of the cause of the same) that provide actual benefit (in cash, cash equivalent, or other quantifiable amount) to the Company, to the full extent of the actual benefit received by the Company. Pursuant to the Guaranty, Caesars Entertainment is required to maintain a net worth or liquid assets of at least \$100.0 million.

Restrictive Covenants and Other Matters

The Credit Facilities require compliance on a quarterly basis with a maximum net senior secured first lien debt leverage test. In addition, the Credit Facilities include negative covenants, subject to certain exceptions, restricting or limiting CEOC's ability and the ability of its restricted subsidiaries to, among other things: (i) incur additional debt; (ii) create liens on certain assets; (iii) enter into sale and lease-back transactions; (iv) make certain investments, loans, and advances; (v) consolidate, merge, sell, or otherwise dispose of all or any part of its assets or to purchase, lease, or otherwise acquire all or any substantial part of assets of any other person; (vi) pay dividends or make distributions or make other restricted payments; (vii) enter into certain transactions with its affiliates; (viii) engage in any business other than the business activity conducted at the closing date of the loan or business activities incidental or related thereto; (ix) amend or modify the articles or certificate of incorporation, by-laws, and certain agreements or make certain payments or modifications of indebtedness; and (x) designate or permit the designation of any indebtedness as "Designated Senior Debt."

Caesars Entertainment is not bound by any financial or negative covenants contained in CEOC's credit agreement, other than with respect to the incurrence of liens on and the pledge of its stock of CEOC.

All borrowings under the senior secured revolving credit facility are subject to the satisfaction of customary conditions, including the absence of a default, the accuracy of representations and warranties, and the requirement that such borrowing does not reduce the amount of obligations otherwise permitted to be secured under our new senior secured credit facilities without ratably securing the retained notes.

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The PHW Las Vegas senior secured loan requires that the Company maintain certain reserve funds in respect of furniture, fixtures, and equipment, capital improvements, interest service, taxes, and insurance. Certain amounts deposited into the specified reserve funds represent restricted cash.

Certain of our borrowings have covenants and requirements that include, among other things, the maintenance of specific levels of financial ratios. Failure to comply with these covenants can result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions. Specifically, CEOC's senior secured credit facilities require CEOC to maintain a senior secured leverage ratio of no more than 4.75 to 1.0, which is the ratio of senior first priority secured debt to LTM Adjusted EBITDA—Pro Forma—CEOC Restricted. This ratio excludes \$2,095.0 million of first priority senior secured notes and up to \$350.0 million aggregate principal amount of consolidated debt of subsidiaries that are not wholly owned. This ratio also reduces the amount of senior first priority secured debt by the amount of unrestricted cash on hand. As of December 31, 2011, CEOC's senior secured leverage ratio was 4.32 to 1.0.

In addition, certain covenants contained in CEOC's senior secured credit facilities and indentures covering its second priority senior secured notes and first priority senior secured notes restrict our ability to take certain actions such as incurring additional debt or making acquisitions if we are unable to meet a fixed charge coverage ratio (LTM Adjusted EBITDA—Pro Forma—CEOC Restricted to fixed charges) of at least 2.0 to 1.0, a total first priority secured leverage ratio (first priority senior secured debt to LTM Adjusted EBITDA—Pro Forma—CEOC Restricted) of no more than 4.5 to 1.0 and/or a consolidated leverage ratio (consolidated total debt to LTM Adjusted EBITDA—Pro Forma—CEOC Restricted) of no more than 7.25 to 1.0. As of December 31, 2011, CEOC's total first priority secured leverage ratio and consolidated leverage ratio were 5.80 to 1.0 and 11.15 to 1.0, respectively. For the year ended December 31, 2011, CEOC's earnings were insufficient to cover fixed charges by \$342.3 million. For purposes of calculating the fixed charge coverage ratio, fixed charges includes consolidated interest expense less interest income and any cash dividends paid on preferred stock (other than amounts eliminated in consolidation). For purposes of calculating the total first priority secured leverage ratio and the consolidated leverage ratio, the amounts of first priority senior secured debt and consolidated total debt, respectively, are reduced by the amount of unrestricted cash on hand. The covenants that provide for the fixed charge coverage ratio, total first priority secured leverage ratio and consolidated leverage ratio described in this paragraph are not maintenance covenants.

The CMBS Financing includes negative covenants, subject to certain exceptions, restricting or limiting the ability of the borrowers and operating companies under the CMBS Financing to, among other things: (i) incur additional debt; (ii) create liens on assets; (iii) make certain investments, loans, and advances; (iv) consolidate, merge, sell, or otherwise dispose of all or any part of its assets or to purchase, lease, or otherwise acquire all or any substantial part of assets of any other person; (v) enter into certain transactions with its affiliates; (vi) engage in any business other than the ownership of the properties and business activities ancillary thereto; and (vi) amend or modify the articles or certificate of incorporation, by-laws, and certain agreements.

The CMBS Financing also includes affirmative covenants that require the CMBS properties to, among other things, maintain the borrowers as "special-purpose entities", maintain certain reserve funds in respect of furniture, fixtures, and equipment, taxes, and insurance, and comply with other customary obligations for CMBS real estate financings. Amounts deposited into the specified reserve funds represent restricted cash.

In addition, the CMBS Financing obligates the CMBS properties to apply excess cash flow in certain specified manners, depending on the outstanding principal amount of various tranches of the CMBS loans and other factors. These obligations will limit the amount of excess cash flow from the CMBS properties that may be distributed to Caesars Entertainment. For example, the CMBS properties are required to use 100.0% of excess cash flow to make ongoing mandatory offers on a quarterly basis to purchase CMBS mezzanine loans at discounted prices from the holders thereof. To the extent such offers are accepted, such excess cash flow will need to be so utilized and will not be available for distribution to Caesars Entertainment. To the extent such offers are not accepted with respect to any fiscal quarter, the amount of excess cash flow that may be distributed to Caesars Entertainment is limited to 85.0% of excess cash flow with respect to such quarter. In addition, the CMBS Financing provides that once the aggregate principal amount of the CMBS mezzanine loans is less than or equal to \$625.0 million, the mortgage loan will begin to amortize on a quarterly basis in an amount equal to the greater of 100.0% of excess cash flow for such quarter and \$31.3 million. If the CMBS mortgage loan begins to amortize, the excess cash flow from the CMBS properties will need to be applied to such amortization and will not be available for distribution to Caesars Entertainment.

Note 8—Derivative Instruments

Derivative Instruments - Interest Rate Swap Agreements

We use interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. As of December 31, 2011, we have entered into eight interest rate swap agreements for notional amounts totaling \$5,750.0 million. The difference to be paid or received under the terms of the interest rate swap agreements is accrued as interest rates change and recognized as an adjustment to interest expense for the related debt. Changes in the variable interest rates to be paid or received pursuant to the terms of the interest rate swap agreements will have a corresponding effect on future cash flows. The major terms of the interest rate swap agreements as of December 31, 2011 are as follows:

<u>Effective Date</u>	<u>Notional Amount</u> (In millions)	<u>Fixed Rate Paid</u>	<u>Variable Rate Received as of Dec. 31, 2011</u>	<u>Next Reset Date</u>	<u>Maturity Date</u>
April 25, 2011	\$ 250.0	1.351%	0.294%	January 25, 2012	January 25, 2015
April 25, 2011	250.0	1.347%	0.294%	January 25, 2012	January 25, 2015
April 25, 2011	250.0	1.350%	0.294%	January 25, 2012	January 25, 2015
January 25, 2011	1,000.0	3.233%	0.418%	January 25, 2012	January 25, 2015
April 25, 2011	1,000.0	3.315%	0.418%	January 25, 2012	January 25, 2015
January 25, 2011	1,000.0	3.915%	0.418%	January 25, 2012	January 25, 2015
April 25, 2011	1,000.0	3.385%	0.418%	January 25, 2012	January 25, 2015
January 25, 2011	1,000.0	3.935%	0.418%	January 25, 2012	January 25, 2015

The variable rate received on our interest rate swap agreements did not materially change as a result of the January 25, 2012 reset.

During the second quarter of 2011, the Company completed transactions to amend and extend certain swap contracts. Prior to the amendment, a \$1,000.0 million swap had a fixed payment rate of 4.172% and a maturity date of April 25, 2012. Two \$2,000.0 million swaps were split into four \$1,000.0 million tranches. The previous terms included fixed payment rates of 4.276% and 4.263% and maturity dates of April 25, 2013. The amended payment rates and maturity dates are shown in the table above.

In December 2011, the Company amended the terms of two \$1,000.0 million swap contracts with a corresponding change in the elected interest rate on \$2,000.0 million of term loans. Effective January 25, 2012 through January 25, 2014, the variable rate received on the swaps changes from three-month to one-month LIBOR, and the fixed payment rate is reduced by 12 basis points. In connection with the amendment, the Company determined that it was not probable that previously forecasted transactions would occur on all interest rate swaps. Therefore, we removed the cash flow hedging designation for all of our interest rate swap agreements and were required to reclassify \$183.2 million of deferred losses recorded in AOCL into interest expense. Prior to removing the cash flow hedging designation, we amortized \$51.2 million of deferred losses frozen in AOCL to interest expense for the year ended December 31, 2011. Any future changes in fair value of the swap agreements will be recognized in interest expense during the period in which the changes in value occur. In January 2012, the Company amended the terms of three \$1,000.0 million notional value interest rate swap contracts. See Note 22, "Subsequent Events" for more information.

Derivative Instruments - Interest Rate Cap Agreements

In January 2008, we entered into an interest rate cap agreement to partially hedge the risk of future increases in the variable rate of the CMBS Financing. The CMBS interest rate cap agreement, which was effective January 28, 2008 and terminates February 13, 2013, is for a notional amount of \$6,500.0 million at a LIBOR cap rate of 4.5%. The interest rate cap was designated as a cash flow hedging instrument for accounting purposes on May 1, 2008.

In 2009, we began purchasing and extinguishing portions of the CMBS Financing. The hedging relationship between the CMBS Financing and the interest rate cap remained effective subsequent to each debt extinguishment. In connection with the extinguishments, we reclassified deferred losses out of AOCL and into interest expense associated with the hedge for which the forecasted future transactions are no longer probable of occurring.

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On January 31, 2010, we removed the cash flow hedge designation for the \$6,500.0 million interest rate cap, freezing the amount of deferred losses recorded in AOCL associated with the interest rate cap. Beginning February 1, 2010, we began amortizing deferred losses frozen in AOCL into income over the original remaining term of the hedge forecasted transactions that are still probable of occurring. For the year ended December 31, 2011, we recorded \$20.9 million as an increase to interest expense, and we will record an additional \$20.9 million as an increase to interest expense and AOCL over the next twelve months, all related to deferred losses on the interest rate cap.

On January 31, 2010, we re-designated \$4,650.2 million of the interest rate cap as a cash flow hedging instrument for accounting purposes. Any future changes in fair value of the portion of the interest rate cap not designated as a hedging instrument will be recognized in interest expense during the period in which the changes in value occur.

On April 5, 2010, as required under the PHW Las Vegas Amended and Restated Loan Agreement, we entered into an interest rate cap agreement to partially hedge the risk of future increases in the variable rate of the PHW Las Vegas senior secured loan. The interest rate cap agreement was for a notional amount of \$554.3 million at a LIBOR cap rate of 5.0% and matured on December 9, 2011. To give proper consideration to the prepayment requirements of the PHW Las Vegas senior secured loan, we designated \$525.0 million of the \$554.3 million notional amount of the interest rate cap as a cash flow hedging instrument for accounting purposes. On May 1, 2011, we removed the cash flow hedging designation for the interest rate cap agreement. On December 9, 2011, we entered into a new interest rate cap agreement for a notional amount of \$517.7 million at a LIBOR cap rate of 7.0% and matures on December 9, 2013. Any change in fair value is recognized in interest expense during the period in which the change in value occurs.

Derivative Instruments – Impact on Financial Statements

The following table represents the fair values of derivative instruments in the Consolidated Balance Sheets as of December 31:

(In millions)	Asset Derivatives				Liability Derivatives			
	2011		2010		2011		2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments								
Interest Rate Swaps		\$ —		\$ —		\$ —	Accrued expenses	\$ (21.6)
Interest Rate Swaps		—	Deferred charges and other	11.6		—	Deferred credits and other	(305.5)
Interest Rate Caps		—	Deferred charges and other	3.7		—		—
Subtotal		—		15.3		—		(327.1)
Derivatives not designated as hedging instruments								
Interest Rate Swaps		—		—	Deferred credits and other	(336.1)	Deferred credits and other	(32.2)
Interest Rate Caps		—	Deferred charges and other	1.5		—		—
Subtotal		—		1.5		(336.1)		(32.2)
Total Derivatives		\$ —		\$ 16.8		\$ (336.1)		\$ (359.3)

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The following table represents the effect of derivative instruments in the Consolidated Statements of Operations for the years ended December 31, 2011, 2010 and 2009 for amounts transferred into or out of AOCL:

(In millions) Derivatives designated as hedging instruments	Amount of (Gain) or Loss Recognized in AOCL (Effective Portion)			Location of (Gain) or Loss Reclassified From AOCL Into Net Loss (Effective Portion)	Amount of (Gain) or Loss Reclassified from AOCL into Net Loss (Effective Portion)			Location of (Gain) or Loss Recognized in Net Loss (Ineffective Portion)	Amount of (Gain) or Loss Recognized in Net Loss (Ineffective Portion)		
	2011	2010	2009		2011	2010	2009		2011	2010	2009
Interest Rate Contracts	\$64.3	\$99.2	\$ 20.9	Interest Expense	\$ 265.7	\$ 36.3	\$ 15.1	Interest Expense	\$(53.4)	\$(76.6)	\$(7.6)

(In millions) Derivatives not designated as hedging instruments	Amount of (Gain) or Loss Recognized in Net Loss			Location of (Gain) or Loss Recognized in Net Loss	Amount of (Gain) or Loss Recognized in Net Loss		
	2011	2010	2009		2011	2010	2009
Interest Rate Contracts	\$(16.9)	\$ 1.9	\$ (7.6)	Interest Expense	\$(16.9)	\$ 1.9	\$ (7.6)

In addition to the impact on interest expense from amounts reclassified from AOCL, the difference to be paid or received under the terms of the interest rate swap agreements is recognized as interest expense and is paid quarterly. This cash settlement portion of the interest rate swap agreements increased interest expense for the years ended December 31, 2011, 2010 and 2009 by approximately \$201.1 million, \$265.8 million and \$214.2 million, respectively.

At December 31, 2011, our variable-rate debt, excluding \$5,750.0 million of variable-rate debt hedged using interest rate swap agreements, represents 35% of our total debt, while our fixed-rate debt is 65% of our total debt.

Note 9—Stockholders' Equity

Preferred stock conversion

In February 2010, the Board of Directors approved revisions to the Certificate of Designation for the Non-Voting Perpetual Preferred Stock to eliminate dividends (including all existing accrued but unpaid dividends totaling \$717.2 million at the revision approval date) and to specify that the conversion right of the Non-Voting Perpetual Preferred Stock be at the original value of the Company's non-voting common stock. In March 2010, Hamlet Holdings LLC (the then holder of all of the Company's voting common stock) and holders of a majority of our Non-Voting Perpetual Preferred Stock approved the revisions to the Certificate of Designation. In March 2010, the holders of a majority of our Non-Voting Perpetual Preferred Stock voted to convert all of the non-voting preferred stock to non-voting common stock at the revised conversion rate.

Voting Rights

On November 22, 2010, the Company amended its Certificate of Incorporation to (i) convert each share of the economic non-voting common stock into one share of newly-created economic voting common stock, par value \$0.01 per share and (ii) cancel each share of non-economic voting common stock. The holders of common stock shall be entitled to one vote per share on all matters to be voted on by the stockholders of the Company. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of common stock shall receive a pro rata distribution of any remaining assets after payment of or provision for liabilities and the liquidation preference on preferred stock, if any.

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Note 10—Accumulated Other Comprehensive Loss

Accumulated Other Comprehensive Loss (“AOCL”) consists of the following:

(In millions)	As of December 31,	
	2011	2010
Net unrealized losses on derivative instruments, net of tax	\$ (26.8)	\$ (139.3)
Unrealized gains/losses on investments, net of tax	3.1	1.6
Defined benefit plan adjustments, net of tax	(66.6)	(27.1)
Foreign currency translation, net of tax	(6.1)	(4.0)
	<u>\$ (96.4)</u>	<u>\$ (168.8)</u>

Note 11—Write-downs, Reserves, Recoveries, and Project Opening Costs

Write-downs, reserves, recoveries, and project opening costs include various pre-tax charges to record long-lived tangible asset impairments, contingent liability reserves, costs associated with efficiency projects, project write-offs, demolition costs, recoveries of previously recorded non-routine reserves, and other non-routine transactions. The components of write-downs, reserves, recoveries, and project opening costs are as follows:

(In millions)	2011	2010	2009
Write-downs, reserves, and recoveries:			
Efficiency projects	\$46.6	\$ 1.4	\$ 34.8
Loss/(gain) on divested or abandoned assets	32.3	29.0	(4.0)
Remediation costs	11.0	42.7	39.3
Litigation reserves, awards, and settlements	3.2	20.9	(23.5)
Write-down of long-term note receivable	—	52.2	—
Impairment of long-lived tangible assets	—	—	59.3
Other	(1.8)	1.4	2.0
Total write-downs, reserves, and recoveries	<u>91.3</u>	<u>147.6</u>	<u>107.9</u>
Project opening costs	<u>4.7</u>	<u>2.1</u>	<u>3.6</u>
Total write-downs, reserves, recoveries, and project opening costs	<u>\$96.0</u>	<u>\$149.7</u>	<u>\$111.5</u>

Efficiency projects represent costs incurred to identify and implement efficiency programs aimed at stream lining corporate and operating functions to achieve cost savings and efficiencies. The costs recorded in 2011 relate to cost saving initiatives proposed as part of Project Renewal, a program to streamline our operations that was launched during the fourth quarter of 2010. In 2009, the majority of the costs incurred related to the closing of the office in Memphis, Tennessee, which previously housed certain corporate functions.

Loss/(gain) on divested or abandoned assets represents credits or costs associated with various projects that are determined to no longer be viable. Loss on divested or abandoned assets for 2011 included charges of \$28.2 million to write off specific assets as a result of the termination of a development stage project in Spain. Loss on divested or abandoned assets for 2010 primarily related to write-offs of specific assets associated with certain capital projects no longer expected to be completed in the Las Vegas and Atlantic City regions. During 2009, associated with its closure and ultimate liquidation, we wrote off the assets and liabilities on one of our London Club properties. Because the assets and liabilities were in a net liability position, a pre-tax gain of \$9.0 million was recognized in the fourth quarter of 2009. The recognized gain was partially offset by charges related to other projects.

Remediation costs relate to projects at certain of our Las Vegas properties.

Litigation reserves, awards, and settlements include costs incurred or reversed as a result of the Company’s involvement in various litigation matters, including contingent losses. During 2010, we recorded a \$25.0 million charge related to the Hilton matter, which is more fully discussed in Note 14, “Commitments and Contingent Liabilities.” During 2009, an approximate \$30.0 million

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legal judgment against the Company was vacated by court action. This amount was previously charged to write-downs, reserves, and recoveries in 2006 and was reversed accordingly upon the vacated judgment. The reversal was partially offset by expenses incurred during 2009 related to other ongoing litigation matters.

For 2010, we recorded a \$52.2 million write-down on a long-term note receivable related to land and pre-development costs contributed to a venture for development of a casino project in Philadelphia with which we were involved. In April 2010, the proposed operator for the project withdrew from the project and the Pennsylvania Gaming Control Board commenced proceedings to revoke the license for the project. As a result, we fully reserved the note.

For 2009, we recorded impairment charges related to long-lived tangible assets of \$59.3 million. The majority of the charge was related to the Company's office building in Memphis, Tennessee, due to the relocation to Las Vegas, Nevada of those corporate functions formerly performed at that location.

Note 12—Income Taxes

The components of (loss)/income before income taxes and the related (benefit)/provision for U.S. and other income taxes were as follows:

<u>(Loss)/Income before Income Taxes</u> (In millions)	<u>2011</u>	<u>2010</u>	<u>2009</u>
United States	\$ (1,196.2)	\$ (1,263.7)	\$ 2,533.0
Outside of the U.S.	22.6	(28.3)	(34.8)
	<u>\$ (1,173.6)</u>	<u>\$ (1,292.0)</u>	<u>\$ 2,498.2</u>
<u>Income Tax (Benefit)/Provision</u> (In millions)	<u>2011</u>	<u>2010</u>	<u>2009</u>
United States			
Current			
Federal	\$ (1.0)	\$ (215.1)	\$ —
State	(16.4)	(7.7)	24.4
Deferred			
Federal	(426.2)	(200.6)	1,461.4
State	(65.0)	(56.5)	147.8
Outside of the U.S.			
Current	8.7	10.4	11.6
Deferred	(7.0)	0.8	6.6
	<u>\$ (506.9)</u>	<u>\$ (468.7)</u>	<u>\$ 1,651.8</u>

Total income taxes were allocated as follows:

(In millions)	<u>2011</u>	<u>2010</u>	<u>2009</u>
Income tax (benefit)/provision on (loss)/income before taxes	\$ (506.9)	\$ (468.7)	\$ 1,651.8
Accumulated other comprehensive income/(loss)	70.9	(10.5)	(3.3)
Retained earnings	6.0	—	—
Additional paid in capital	11.6	—	54.7

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The tax provision of \$70.9 million allocated to accumulated other comprehensive income/(loss) in 2011 was primarily comprised of \$117.3 million related to the reclassification of losses on derivative instruments from accumulated other comprehensive loss to interest expense, offset by tax benefits of \$28.4 million related to the change in fair market value of derivatives and \$19.2 million related to foreign currency translation adjustments. The tax impact for the components of accumulated other comprehensive income/(loss) in 2010 and 2009 were immaterial both individually and in the aggregate.

Income taxes allocated to retained earnings represent the impact of the change in accounting related to accruals for casino jackpot liabilities.

The differences between the statutory federal income tax rate and the effective tax rate expressed as a percentage of income/(loss) before taxes were as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Statutory tax rate	35.0%	35.0%	35.0%
Increases/(decreases) in tax resulting from:			
State taxes, net of federal tax benefit	9.4	5.8	7.2
Valuation allowance	(7.0)	(3.4)	(3.9)
Foreign income taxes	2.6	1.0	0.9
Goodwill	0.1	(2.3)	19.8
Officers' life insurance/insurance proceeds	(0.3)	0.2	(0.3)
Acquisition and integration costs	—	—	2.6
Reserves for uncertain tax positions	(0.2)	(0.1)	4.5
Deferred tax liability adjustment	3.3	—	—
Other	0.3	0.1	0.3
Effective tax rate	<u>43.2%</u>	<u>36.3%</u>	<u>66.1%</u>

The Company's tax provision and net deferred tax liability, for the year ending December 31, 2011, reflects adjustments to correct errors in the deferred tax liabilities primarily related to transaction costs incurred in connection with the acquisition in 2008 which were incorrectly recorded in 2008, and not properly adjusted upon the 2009 receipt of the final transaction cost reports. See Note 1, "Summary of Significant Accounting Policies—Error Corrections and Reclassifications," for more information.

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The major components of the deferred tax assets and liabilities in our Consolidated Balance Sheets as of December 31 were as follows:

<u>(In millions)</u>	<u>2011</u>	<u>2010</u>
Deferred tax assets		
State net operating losses	\$ 155.9	\$ 133.7
Foreign net operating losses	35.4	29.7
Federal net operating loss	617.7	371.9
Compensation programs	112.0	90.3
Allowance for doubtful accounts	112.2	105.5
Self-insurance reserves	28.4	17.9
Accrued expenses	57.0	60.1
Federal tax credits	22.4	16.5
Federal indirect tax benefits of uncertain state tax positions	59.6	65.6
Other	57.2	19.5
Subtotal	1,257.8	910.7
Less: valuation allowance	210.7	122.2
Total deferred tax assets	<u>1,047.1</u>	<u>788.5</u>
Deferred tax liabilities		
Depreciation and other property-related items	2,540.8	2,499.7
Deferred cancellation of debt income and other debt-related items	1,983.1	2,107.0
Management and other contracts	8.2	14.2
Intangibles	1,517.5	1,576.5
Prepaid expenses	28.1	37.4
Investments in non-consolidated affiliates	(3.0)	1.6
	<u>6,074.7</u>	<u>6,236.4</u>
Net deferred tax liability	<u>\$5,027.6</u>	<u>\$5,447.9</u>

Deferred tax assets and liabilities are presented in our Consolidated Balance Sheets as follows:

<u>(In millions)</u>	<u>2011</u>	<u>2010</u>
Assets:		
Deferred income taxes (current)	\$ 170.5	\$ 175.8
Liabilities:		
Deferred income taxes (non-current)	\$5,198.1	\$5,623.7
Net deferred tax liability	<u>\$5,027.6</u>	<u>\$5,447.9</u>

As of December 31, 2011 and 2010, the Company had federal net operating loss (“NOL”) carryforward of \$2,022.3 million and \$1,358.0 million, respectively. This NOL will begin to expire in 2029. The federal NOL carryforward per the income tax returns filed included unrecognized tax benefits taken in prior years. Due to application of ASC Topic 740, the federal NOL carryforwards reflected in the income tax returns, as filed, are larger than the NOLs for which a deferred tax asset is recognized for financial statement purposes. In addition, the Company had federal general business tax credits carryforward of \$17.2 million which will begin to expire in 2029. As of December 31, 2011, no valuation allowance has been established for the Company’s federal NOL carryforward or general business tax credits carryforward deferred tax assets because the Company has sufficient future tax liabilities arising within the carryforward periods. However, the Company will continue to assess the need for an allowance in future periods.

NOL carryforwards for the Company’s subsidiaries for state income taxes were \$5,878.8 million and \$5,323.2 million as of December 31, 2011 and 2010, respectively. The state NOL carryforwards per the income tax returns filed included unrecognized tax benefits taken in prior years. Due to application of ASC 740, they are larger than the NOLs for which a deferred tax asset is recognized for financial statement purposes. We anticipate that state NOLs in the amount of \$14.9 million will expire in 2012. The remainder of the state NOLs will expire between 2013 and 2031.

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NOL carryforwards of the Company's foreign subsidiaries were \$139.8 million and \$108.9 million for the years ended December 31, 2011 and 2010, respectively. The majority of these foreign NOLs have an indefinite carryforward period but are subject to a full valuation allowance as the Company believes these assets do not meet the "more likely than not" criteria for recognition under ASC 740.

As of December 31, 2011 and 2010, the Company had foreign tax credit carryforwards of \$5.2 million. During 2010, the Company amended its 2005 federal tax return to deduct \$22.4 million of the foreign tax credits which were projected to expire in 2015. The remaining foreign tax credit carryforward of \$5.2 million is projected to expire unused in 2012 as the Company does not project to have sufficient future foreign source income in order to utilize this carryforward.

We do not provide for deferred taxes on the excess of the financial reporting over the tax basis in our investments in foreign subsidiaries that are essentially permanent in duration. That excess is estimated to total \$42.5 million at December 31, 2011. The additional deferred taxes that have not been provided is estimated at \$8.8 million at December 31, 2011.

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefits is as follows:

<u>(in millions)</u>	
Balance at January 1, 2009	\$ 136.0
Additions based on tax positions related to the current year	123.0
Additions for tax positions of prior years	139.0
Reductions for tax positions for prior years	(3.0)
Settlements	(13.0)
Expiration of statutes	(20.0)
Balance at December 31, 2009	\$ 362.0
Additions based on tax positions related to the current year	8.8
Additions for tax positions of prior years	224.2
Reductions for tax positions for prior years	(26.5)
Settlements	—
Expiration of statutes	(1.1)
Balance at December 31, 2010	\$ 567.4
Additions based on tax positions related to the current year	4.2
Additions for tax positions of prior years	2.0
Reductions for tax positions for prior years	(36.4)
Settlements	—
Expiration of statutes	(4.9)
Balance at December 31, 2011	<u>\$ 532.3</u>

We classify reserves for tax uncertainties within "Accrued expenses" and "Deferred credits and other" in our Consolidated Balance Sheets, separate from any related income tax payable or deferred income taxes. In accordance with ASC 740, reserve amounts relate to any potential income tax liabilities resulting from uncertain tax positions as well as potential interest or penalties associated with those liabilities. The increases in the year ended December 31, 2011, 2010 and 2009 related to costs associated with the Acquisition, cancellation of indebtedness income, cost recovery related to capital and non capital expenditures and other identified uncertain tax positions.

We recognize interest and penalties accrued related to unrecognized tax benefits in income tax expense. We accrued approximately \$19 million, \$10 million, and \$9 million during 2011, 2010, and 2009, respectively. In total, we have accrued balances of approximately \$80 million, \$64 million, and \$54 million for the payment of interest and penalties at December 31, 2011, 2010, and 2009, respectively. Included in the balance of unrecognized tax benefits at December 31, 2011, 2010, and 2009 are \$287 million, \$312 million, and \$255 million, respectively, of unrecognized tax benefits that, if recognized, would impact the effective tax rate.

We file income tax returns, including returns for our subsidiaries, with federal, state, and foreign jurisdictions. We are under regular and recurring audit by the Internal Revenue Service ("IRS") on open tax positions, and it is possible that the amount of the liability for unrecognized tax benefits could change during the next twelve months. The IRS audit of our 2008

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federal income tax year concluded during the quarter ended June 30, 2010. The IRS proposed an adjustment to our cancellation of debt income tax position which we appealed. We are currently awaiting the final results of our appeals process. As a result of a possible settlement of the issue under appeal, it is reasonably possible that the total amount of unrecognized tax benefits at December 31, 2011 will decrease by a range of \$0 to \$70 million in the next twelve months. Any settlement will have no impact on the Company's effective tax rate.

During 2011, the IRS commenced an audit of the Company's 2009 federal income tax return. We are also subject to exam by various state and foreign tax authorities. Tax years prior to 2005 are generally closed for foreign and state income tax purposes as the statutes of limitations have lapsed. However, various subsidiaries could be examined by the New Jersey Division of Taxation for tax years beginning with 1999 due to our execution of New Jersey statute of limitation extensions.

It is reasonably possible that our other unrecognized tax benefits will increase or decrease within the next twelve months. These changes may be the result of ongoing audits or settlements. Audit outcomes and the timing of audit settlements are subject to significant uncertainty. Although the Company believes 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 13—Fair Value Measurements

The fair value hierarchy defines fair value as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based upon assumptions that market participants would use in pricing an asset or liability. The fair value hierarchy establishes three tiers, which prioritize the inputs used in measuring fair value as follows:

- Level 1:* Observable inputs such as quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date;
- Level 2:* Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3:* Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Our assessment of goodwill and other intangible assets for impairment includes an assessment using various Level 2 (EBITDA multiples and discount rate) and Level 3 (forecast cash flows) inputs. See Note 5, "Goodwill and Other Intangible Assets," for more information on the application of the use of fair value methodology to measure goodwill and other intangible assets.

Entities are permitted to choose to measure certain financial instruments and other items at fair value. We have not elected the fair value measurement option for any of our assets or liabilities that meet the criteria for this option.

Items Measured at Fair Value on a Recurring Basis

The following table shows the fair value of our financial assets and financial liabilities that are required to be measured at fair value:

(In millions)	<u>Balance</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
December 31, 2011				
Assets:				
Investments	\$ 108.4	\$106.9	\$ 1.5	\$ —
Liabilities:				
Derivative instruments	(336.1)	—	(336.1)	—
December 31, 2010				
Assets:				
Investments	\$ 95.4	\$ 92.7	\$ 2.7	\$ —
Derivative instruments	16.8	—	16.8	—
Liabilities:				
Derivative instruments	(359.3)	—	(359.3)	—

The following section describes the valuation methodologies used to measure fair value, key inputs, and significant assumptions:

Investments – Investments consist of debt and equity securities with maturity dates greater than 90 days at the date of the security's acquisition. The majority of these securities are traded in active markets, have readily determined market values, and use Level 1 inputs. Securities for which there are not active markets or the market values are not readily determinable are valued using Level 2 inputs. All of these investments are included in either prepayments and other current assets or deferred charges and other in our Consolidated Balance Sheets.

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The fair value of investments in marketable securities were as follows:

<u>(In millions)</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Corporate bonds	\$ 1.5	\$ 2.7
Equity securities	2.4	2.6
Government bonds	102.5	88.0
Mortgaged-backed securities	—	0.1
Other liquid investments	2.0	2.0
Total Investments	\$ 108.4	\$ 95.4

Gross unrealized gains and losses on marketable securities at December 31, 2011 and 2010 were not material.

Derivative instruments – The estimated fair values of our derivative instruments are derived from market prices obtained from dealer quotes for similar, but not identical, assets or liabilities. Such quotes represent the estimated amounts we would receive or pay to terminate the contracts. Derivative instruments are included in either deferred charges and other, or deferred credits and other, in our Consolidated Balance Sheets. Our derivatives are recorded at their fair values, adjusted for the credit rating of the counterparty if the derivative is an asset, or adjusted for the credit rating of the Company if the derivative is a liability. See Note 8, “Derivative Instruments” for more information.

Items Disclosed at Fair Value

Long-Term Debt – The fair value of the Company’s debt has been calculated based on the borrowing rates available as of December 31, 2011, for debt with similar terms and maturities, and based on market quotes of our publicly traded debt. As of December 31, 2011, the Company’s outstanding debt had a fair value of \$18,381.6 million and a carrying value of \$19,799.9 million.

Note 14—Commitments and Contingent Liabilities

Contractual Commitments

We continue to pursue additional casino development opportunities that may require, individually and in the aggregate, significant commitments of capital, up-front payments to third parties, and development completion guarantees.

The agreements pursuant to which we manage casinos on Indian lands contain provisions required by law that provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled repayments of borrowings for development costs and over the management fee earned and paid to the manager. In the event that insufficient cash flow is generated by the operations to fund this payment, we must pay the shortfall to the tribe. Subject to certain limitations as to time, such advances, if any, would be repaid to us in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. Our aggregate monthly commitment for the minimum guaranteed payments, pursuant to contracts for the three managed, Indian-owned facilities is \$1.2 million. Each of these casinos currently generates sufficient cash flows to cover all of its obligations, including its debt service.

During 2011, the Eastern Band of Cherokee Indians renewed our management agreement for Harrah’s Cherokee in North Carolina via an amendment (the “Cherokee amendment”) that includes a seven-year term. The Cherokee amendment was approved by the National Indian Gaming Commission in September 2011.

The table below gives the location and expiration date of the current management contracts for our three Indian-owned casino properties as of December 31, 2011.

<u>Casino</u>	<u>Location</u>	<u>Expiration of Management Agreement</u>
Harrah’s Rincon	near San Diego, California	November 2013
Harrah’s Cherokee	Cherokee, North Carolina	November 2018
Harrah’s Ak-Chin	near Phoenix, Arizona	December 2014

In addition to the guarantees discussed above, we had total aggregate non-cancelable purchase obligations of \$921.7 million as of December 31, 2011.

Contingent Liability - Nevada Sales and Use Tax

The Supreme Court of Nevada decided in early 2008 that food purchased for subsequent use in the provision of complimentary and/or employee meals is exempt from use tax. Previously, such purchases were subject to use tax and the Company has claimed, but not recognized into earnings, a use tax refund totaling \$32.2 million, plus interest, as a result of the 2008 decision. In early 2009, the Nevada Department of Taxation audited our refund claim, but has taken the position that those same purchases are now subject to sales tax; therefore, they subsequently issued a sales tax assessment totaling \$27.4 million plus interest after application of our refund on use tax. While we have established certain reserves against possible loss on this matter, we believe that the Nevada Department of Taxation's position has no merit, and we moved the matter to a procedural, administrative hearing before a Nevada Department of Taxation administrative law judge.

On October 21, 2010, the administrative law judge ("ALJ") issued a decision and ruled in our favor on a number of key issues. Although both the Company and the Nevada Department of Taxation filed an appeal of the decision with the Nevada Tax Commission, the case was returned to the ALJ for further factual development and the Company is awaiting the ALJ's supplemental ruling. Once all administrative remedies have been exhausted, the Company may seek relief from the state judiciary.

Recently, another gaming company, with a similar case, was issued an adverse ruling from both the ALJ and Nevada Tax Commission.

Contingent Liability - Employee Benefit Obligations

In December 1998, Hilton Hotels Corporation ("Hilton") spun-off its gaming operations as Park Place Entertainment Corporation ("Park Place"). In connection with the spin-off, Hilton and Park Place entered into various agreements, including an Employee Benefits and Other Employment Allocation Agreement dated December 31, 1998 (the "Allocation Agreement") whereby Park Place assumed or retained, as applicable, certain liabilities and excess assets, if any, related to the Hilton Hotels Retirement Plan (the "Hilton Plan") based on the accrued benefits of Hilton employees and Park Place employees. Park Place changed its name to Caesars Entertainment, Inc., and the Company acquired Caesars Entertainment, Inc. in June 2005. In 1999 and 2005, the United States District Court for the District of Columbia certified two nationwide classes in the lawsuit against Hilton and others alleging that the Hilton Plan's benefit formula was backloaded in violation of ERISA, and that Hilton and the other defendants failed to properly calculate Hilton Plan participants' service for vesting purposes. In May 2009, the Court issued a decision granting summary judgment to the plaintiffs. Thereafter, the Court required the parties to attempt to agree on a remedies determination and further required the parties to submit briefs to the Court in support of their positions. On September 7, 2010, the Court issued an opinion resolving certain of Hilton's and the plaintiffs' issues regarding a remedies determination and requiring the parties to confer and take other actions in an effort to resolve the remaining issues. On July 28 and 29, 2011, the Court held a hearing to address the remaining remedy issues and on August 31, 2011, the Court issued a Memorandum Opinion and a final Order (the "Order"). In the Order, the Court ordered, among other things, Hilton to award back payments and commence increased benefits for all class members no later than January 1, 2012 or, in the case of any individual benefit or vesting disputes, within 30 days after the final dispute resolution by the Court. On September 28, 2011, Hilton filed a Motion for Reconsideration to ask the Court to reconsider certain aspects of the Order. On September 30, 2011, Hilton filed a Notice of Appeal to appeal all aspects of the Order and all other orders in the case to the United States Court of Appeals for the District of Columbia Circuit and on December 20, 2011, plaintiffs filed a cross-appeal. On November 28, 2011, Hilton filed a motion to stay the implementation of the backloading remedy pending the appeal and on January 19, 2012, the Court granted Hilton's motion contingent upon Hilton posting a bond of \$75.8 million by no later than February 21, 2012. Prior to the Court's 2010 opinion, we were advised by counsel for the defendants that the plaintiffs estimated that the damages are in the range of \$180.0 million to \$250.0 million. Counsel for the defendants further advised that approximately \$50.0 million of the damages relates to questions regarding the proper size of the class and the amount, if any, of damages to any additional class members due to issues with Hilton's record keeping.

The Company received a letter from Hilton dated October 7, 2009 notifying the Company for the first time of this lawsuit and alleging that the Company has potential liability for the above described claims under the terms of the Allocation Agreement. Based on the terms of the Allocation Agreement, the Company believes its maximum potential exposure is approximately 30.0 percent to 33.0 percent of the amount ultimately awarded as damages. The Company is not a party to the proceedings between the plaintiffs and the defendants and has not participated in the defense of the litigation or in any discussions between the plaintiffs and the defendants about potential remedies or damages. Further, the Company does not have access to information sufficient to enable the Company to make an independent judgment about the possible range of loss in connection with this matter. Based on conversations between are representative of the Company and a representative of the defendants, the Company believes it is probable that damages will be at least \$80.0 million and, accordingly, the Company recorded a charge of \$25.0 million in accordance with ASC 450, Contingencies, during the second quarter 2010 in relation to this matter. The Company has not changed its belief respecting the damages which maybe awarded in this lawsuit as a result of the 2010 opinion of the Court or the Order. The Company also continues to believe that it may have various defenses if a claim under the Allocation Agreement is asserted against the Company, including defenses as to the amount of damages. Because the Company has not had access to sufficient information regarding this matter, we cannot at this time predict the ultimate outcome of this matter or the possible additional loss, if any.

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Self-Insurance

We are self-insured for various levels of general liability, workers' compensation, employee medical coverage, and other coverage. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims. At December 31, 2011 and 2010, we had total self-insurance accruals reflected in our Consolidated Balance Sheets of \$209.2 million and \$215.7 million, respectively.

Note 15—Leases

We lease both real estate and equipment used in our operations and classify those leases as either operating or capital leases, for accounting purposes. At December 31, 2011, the remaining lives of our operating leases ranged from one to 86 years, with various automatic extensions totaling up to 82 years.

Rental expense, net of income from subleases, is associated with operating leases for continuing operations and is charged to expense in the year incurred. Net rental expense is included within each line of the Statements of Operations dependent upon the nature or use of the assets under lease. Total net rental expense was as follows:

<u>(In millions)</u>	<u>Year Ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Noncancelable			
Minimum	\$ 102.3	\$ 90.4	\$ 78.7
Contingent	2.4	3.7	4.1
Sublease	(0.9)	(1.6)	(0.9)
Other	77.4	71.5	55.5
	<u>\$ 181.2</u>	<u>\$ 164.0</u>	<u>\$ 137.4</u>

Our future minimum rental commitments as of December 31, 2011 are as follows:

<u>(In millions)</u>	<u>Noncancelable Operating Leases</u>
2012	\$ 85.4
2013	77.9
2014	65.7
2015	61.1
2016	60.1
Thereafter	1,818.5
Total minimum rental commitments	<u>\$ 2,168.7</u>

In addition to these minimum rental commitments, certain of our operating leases provide for contingent rentals based on a percentage of revenues in excess of specified amounts.

Note 16—Litigation

The Company is party to ordinary and routine litigation incidental to our business. We do not expect the outcome of any pending litigation to have a material effect on our consolidated financial position, results of operations or cash flows.

Note 17—Supplemental Cash Flow Information

The increase/(decrease) in cash and cash equivalents due to the changes in long-term and working capital accounts were as follows:

<u>(In millions)</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Long-term accounts			
Deferred charges and other	\$ 52.0	\$ 58.2	\$(128.7)
Deferred credits and other	(123.5)	(70.5)	203.4
Net change in long-term accounts	<u>\$ (71.5)</u>	<u>\$ (12.3)</u>	<u>\$ 74.7</u>
Working capital accounts			
Receivables	\$ (87.3)	\$ (59.6)	\$ 52.1
Inventories	5.5	3.3	9.7
Prepayments and other	39.0	(21.7)	40.0
Accounts payable	16.5	(17.8)	(47.8)
Accrued expenses	0.2	(54.8)	(171.4)
Net change in working capital accounts	<u>\$ (26.1)</u>	<u>\$(150.6)</u>	<u>\$(117.4)</u>

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Significant non-cash transactions in 2011 included the impairment of goodwill and other non-amortizing intangible assets discussed in Note 5, “Goodwill and Other Intangible Assets,” the change between the pre- and post-modification fair values related to the interest rate swap blend and extend transactions in April and June and the de-designation of certain interest rate swaps during 2011, both discussed in Note 8, “Derivative Instruments,” the write off of specific assets as a result of the termination of a development stage project in Spain discussed in Note 11, “Write-downs, Reserves, Recoveries, and Project Opening Costs,” and an adjustment to the accrued jackpot liability, and the corresponding cumulative effect adjustment to Accumulated Deficit, resulting from the adoption of the provision of new accounting requirements, as further discussed in Note 2, “Recently Issued Accounting Pronouncements.”

Significant non-cash transactions in 2010 included the impairment of goodwill and other non-amortizing intangible assets discussed in Note 5, “Goodwill and Other Intangible Assets,” the first quarter 2010 conversion of preferred shares into common shares and the elimination of cumulative dividends on such preferred shares, the second quarter 2010 write-down of long-term note receivable and contingent liability charge discussed in Note 11, “Write-downs, Reserves, Recoveries, and Project Opening Costs,” and the fourth quarter 2010 exchange of debt for equity discussed in Note 7, “Debt.”

Significant non-cash transactions in 2009 included the Company’s accrued, but unpaid, dividends on its preferred shares of \$354.8 million, the impairment of goodwill and other non-amortizing intangible assets discussed in Note 5, “Goodwill and other Intangible Assets,” the April 2009 debt exchange transaction discussed in Note 7, “Debt,” and the impairment of long-lived tangible assets and the litigation reserve adjustment, both of which are discussed in Note 11, “Write-downs, Reserves, Recoveries, and Project Opening Costs.”

Cash Paid for Interest and Taxes

The following table reconciles our interest expense, net of interest capitalized, per the Consolidated Statements of Operations, to cash paid for interest.

<u>(In millions)</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Interest expense, net of interest capitalized ^(a)	\$2,122.3	\$1,981.6	\$1,892.5
Adjustments to reconcile to cash paid for interest:			
Net change in accruals	(12.5)	(12.8)	248.4
Amortization of deferred finance charges	(70.3)	(76.4)	(126.8)
Net amortization of discounts and premiums	(157.2)	(163.7)	(128.2)
Reclassification from accumulated other comprehensive loss	(183.2)	—	—
Amortization of accumulated other comprehensive loss	(83.3)	(36.3)	(18.2)
Rollover of PIK interest to principal	(1.1)	(1.0)	(62.8)
Change in accrual (related to PIK interest)	—	—	(40.1)
Change in fair value of derivative instruments	70.3	74.7	7.6
Cash paid for interest	<u>\$1,685.0</u>	<u>\$1,766.1</u>	<u>\$1,772.4</u>
Cash payments/(receipts) for income taxes, net ^(a)	<u>\$ 5.4</u>	<u>\$ (190.2)</u>	<u>\$ 31.0</u>

^(a) Interest capitalized in 2011, 2010, and 2009 was \$22.8 million, \$1.4 million, and \$32.4 million, respectively.

^(b) The 2010 net receipt includes \$220.8 million of federal income tax refund received, offset by other federal, state, and foreign taxes paid during the year.

Note 18—Employee Benefit Plans

We have established a number of employee benefit programs for purposes of attracting, retaining, and motivating our employees. The following is a description of the basic components of these programs as of December 31, 2011.

Share-based Compensation Plans

Our stock-based compensation expense consists primarily of time-based and performance-based options that have been granted to management, other personnel and key service providers. The Company has recognized compensation expense associated with its stock-based employee compensation programs

In 2010 the Human Resources Committee of the Board of Directors of the Company adopted an amendment to the Company’s Management Equity Incentive Plan (the “Plan”) to revise the vesting hurdles for performance-based options under the Plan. The performance options vest if the return on investment in the Company of TPG, Apollo, and their respective affiliates and co-investors (the “Majority Stockholders”) achieves a specified return. Previously, 50.0% of the performance-based options vested upon a 2.0X return and 50.0% vested upon a 3.0X return. The triggers were revised to 1.5X and 2.5X,

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respectively. In addition, a pro-rata portion of the 2.5X options will vest if the Majority Stockholders achieve a return on their investment that is greater than 2.0X, but less than 2.5X. The pro-rata portion will increase on a straight line basis from zero to a participant's total number of 2.5X options depending upon the level of returns that the Majority Stockholders realize between 2.0X and 2.5X.

In July 2011, the Human Resources Committee of the Board of Directors of the Company approved amendments to the Plan and to outstanding stock options which were granted pursuant to the Plan. Performance-based options will vest and become exercisable if the return on investment in the Company of the Majority Stockholders reaches at least 2.0X (rather than 2.5X, which applied prior to the amendments), and if the Majority Stockholders realize a return of less than 2.0X but equal to or greater than 1.75X, a pro-rata portion of such performance based options will vest based on straight line interpolation (collectively, the "Vesting Adjustment"). The exercise price of outstanding 1.5X performance-based options was reduced to \$35 per share (pre-split per share exercise price). All outstanding 2.5X performance options were amended to reflect the Vesting Adjustment; however, the exercise price for the outstanding 2.5X, now 2.0X, performance options was not reduced to \$35 per share (pre-split per share exercise price). Additionally, the exercise price for all outstanding time-based options was reduced to \$35 per share (pre-split per share exercise price), with the reduced exercise price being phased in between a four- to six-year period, depending on grant date, as set forth in each individual award agreement. Prior to the phase in, any vested options may still be exercised at the original exercise price, subject to the terms of the Plan. As a result of these amendments, additional expense of \$3.2 million was recognized in 2011.

In November 2011, an amendment was approved to increase the available number of shares of the Company's common stock for which options may be granted to 4,927,024 shares.

As disclosed in Note 22, "Subsequent Events" the Company declared a 1.742-for-one stock split in conjunction with the February 2012 public offering transaction. The stock split revised the number of options that may be granted under the Plan to 8,582,876 shares and adjusted the reduced per share exercise price under the July 2011 option repricing from \$35 to \$20.09. In conjunction with the subsequent events described above, the Board of Directors adopted the 2012 Performance Incentive Plan; therefore, no more options may be issued pursuant to the Plan.

The following is a summary of share-based option activity, adjusted for the stock split, including options under the Plan and warrants to purchase common stock, for the years ended December 31, 2011 and 2010:

	Shares ⁽¹⁾	Weighted Average Exercise Price ⁽¹⁾	Fair Value ⁽¹⁾⁽²⁾	Weighted Average Remaining Contractual Term (years)
Outstanding at December 31, 2009	5,564,884	\$ 52.54	\$ 19.20	
Granted	2,372,919	\$ 33.04	\$ 15.41	
Exercised	(426)	\$ 29.73	\$ 10.44	
Cancelled	(547,186)	\$ 50.61	\$ 19.04	
Outstanding at December 31, 2010	7,390,191	\$ 46.35	\$ 18.06	7.7
Exercisable at December 31, 2010	1,399,052	\$ 48.46	\$ 19.18	6.1
Outstanding at December 31, 2010	7,390,191	\$ 46.35	\$ 18.06	
Granted ⁽³⁾	2,252,457	\$ 26.23	\$ 10.55	
Exercised	—	—	—	
Cancelled	(897,999)	\$ 42.67	\$ 16.67	
Outstanding at December 31, 2011	8,744,649	\$ 38.15	\$ 16.48	7.3
Vested and expected to vest at December 31, 2011	7,149,140	\$ 36.84	\$ 16.18	7.4
Exercisable at December 31, 2011	1,780,770	\$ 43.69	\$ 19.53	5.4

⁽¹⁾ Adjusted for the February 2012 1.742-for-one stock split.

⁽²⁾ Represents the weighted-average grant date fair value per option, using the Monte Carlo simulation option-pricing model for performance-based options, and the Black-Scholes option-pricing model for time-based options.

⁽³⁾ There are no provisions in the Equity Plan for the issuance of SARs or restricted shares.

The Company utilized historical optionee behavioral data to estimate the option exercise and termination rates used in the option-pricing models. The expected term of the options represents the period of time the options were expected to be

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outstanding based on historical trends. Expected volatility was based on the historical volatility of the common stock of Caesars Entertainment and its competitor peer group for a period approximating the expected life. The Company does not expect to pay dividends on common stock. The risk-free interest rate within the expected term was based on the U.S. Treasury yield curve in effect at the time of grant. Valuation assumptions for the indicated periods are presented below:

	2011	2010	2009
Expected volatility	65.8%	71.4%	65.9%
Expected dividend yield	—	—	—
Expected term (in years)	4.8	6.6	6.8
Risk-free interest rate	1.1%	2.4%	2.5%
Weighted average fair value per share of options granted ⁽¹⁾	\$10.55	\$15.41	\$10.27

⁽¹⁾ Adjusted for the February 2012 1.742-for-one stock split.

As of December 31, 2011, there was approximately \$61.0 million of total unrecognized compensation cost related to stock option grants. This cost is expected to be recognized over a remaining weighted-average period of 2.9 years. For the years ended December 31, 2011, 2010, and 2009, the compensation cost that has been charged against income for stock option grants was approximately \$21.8 million, \$18.0 million, and \$16.4 million, respectively, of which, for the year ended December 31, 2011, \$13.8 million was included in corporate expenses and \$8.0 million was included in property, general, administrative, and other in the Consolidated Statements of Operations. For the year ended December 31, 2010, \$9.4 million of compensation cost was included in corporate expense and \$8.6 million was included in property, general, administrative, and other in the Consolidated Statements of Operations. For the year ended December 31, 2009, \$7.6 million of compensation cost was included in corporate expense and \$8.8 million was included in property, general, administrative, and other in the Consolidated Statements of Operations.

Savings and Retirement Plan

We maintain a defined contribution savings and retirement plan, which, among other things, allows pre-tax and after-tax contributions to be made by employees to the plan. Under the plan, participating employees may elect to contribute up to 50% of their eligible earnings. Prior to February 2009, the Company matched 50% of the first six percent of employees' contributions. In February 2009, Caesars Entertainment announced the suspension of the employer match for all participating employees, where allowed by law or not in violation of an existing agreement. The Acquisition was a change in control under the savings and retirement plan, and, therefore, all unvested Company match as of the Acquisition became vested. Amounts contributed to the plan are invested, at the participant's direction, in up to 19 separate funds. Participants become vested in the matching contribution over five years of credited service. Our contribution expense for this plan was \$38,000, \$0.1 million, and \$3.2 million, respectively, for the years ended December 31, 2011, 2010, and 2009. A modified matching program with a \$600 annual cap per participant was approved by the Human Resources Committee in November 2011 and will be reinstated beginning in April 2012.

Deferred Compensation Plans

The Company has one currently active deferred compensation plan, the Executive Supplemental Savings Plan II ("ESSP II"); although, there are five other plans that contain deferred compensation assets: Harrah's Executive Deferred Compensation Plan ("EDCP"), the Harrah's Executive Supplemental Savings Plan ("ESSP"), Harrah's Deferred Compensation Plan ("HDCP"), the Restated Park Place Entertainment Corporation Executive Deferred Compensation Plan, and the Caesars World, Inc. Executive Security Plan. The deferred compensation plans are collectively referred to as "DCP."

Amounts deposited into DCP are unsecured liabilities of the Company. The EDCP and HDCP earn interest at rates approved by the Human Resources Committee of the Board of Directors. The other plans, including the ESSP II are variable investment plans, which allow employees to direct their investments by choosing from several investment alternatives. In connection with the 2005 acquisition of Caesars Entertainment, Inc., we assumed the outstanding liability for Caesars Entertainment, Inc.'s deferred compensation plan; however, the balance was frozen and former Caesars employees may no longer contribute to that plan. The total liability included in deferred credits and other for DCP at December 31, 2011 and 2010 was \$85.2 million and \$95.1 million, respectively. In connection with the administration of one of these plans, we have purchased company-owned life insurance policies insuring the lives of certain directors, officers, and key employees.

Beginning in 2005, we implemented the ESSP II for certain executive officers, directors, and other key employees of the Company to replace the ESSP. Eligible employees may elect to defer a percentage of their salary and/or bonus under ESSP II. Prior to February 2009, the Company had the option to make matching contributions with respect to deferrals of salary to those

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participants who are eligible to receive matching contributions under the Company's 401(k) plan. In February 2009, the Company eliminated matching contributions with respect to deferrals of salary. Employees immediately vest in their own deferrals of salary and bonus and vest in Company funded matching and discretionary contributions over five years.

The Acquisition was a change in control under our deferred compensation plans, and, therefore, all unvested Company match as of the Acquisition became vested. The change in control also required that the pre-existing trust and escrow funds related to our deferred compensation plans be fully funded.

Subsequent to the Acquisition, contributions by the Company have been segregated in order to differentiate between the fully-funded trusts and escrows prior to the Acquisition and the post-acquisition contributions. In January 2010, the Company funded \$5.6 million into the trust in order to increase the security of the participants' deferred compensation plan benefits.

Multiemployer Pension Plan

The Company contributes to a number of multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from a single-employer plan in the following aspects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If the Company chooses to stop participating in some of its multiemployer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company's participation in these plans for the annual period ended December 31, 2011, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act ("PPA") zone status available in 2011 and 2010 is for the plan years beginning January 1, 2011, and January 1, 2010, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. All plans detailed in the table below utilized extended amortization provisions to calculate zone status except Southern Nevada Culinary and Bartenders Pension Plan and Pension Plan of the UNITE HERE National Retirement Fund. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. With the exception of the Pension Plan of the UNITE HERE National Retirement Fund and the Southern Nevada Culinary and Bartenders Pensions Plan, all plans listed in the table below utilized the extended amortization provisions that affect the calculation of zone status. The last column lists the expiration date(s) of the collective-bargaining agreement(s) to which the plans are subject.

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Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions of CEOC (\$ in millions)			Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
		2011	2010		2011	2010	2009		
Southern Nevada Culinary and Bartenders Pension Plan	88-6016617/001	Green	Green	No	\$16.3	\$14.6	\$12.1	No	Various up to July 2013
Pension Plan of the UNITE HERE National Retirement Fund	13-6130178/001	Red	Red	Yes	12.8	12.3	11.8	Yes	Various up to Sept. 2014
Western Conference of Teamsters Pension Plan	91-6145047/001	Green	Green	No	4.7	4.1	4.0	No	Various up to Sept. 2014
Nevada Resort Association IATSE Local 720 Retirement Plan	51-0144767/001	Green	Red	No	1.0	0.8	0.6	No	Various up to June 2014
Central Pension Fund of the IUOE & Participating Employers ⁽¹⁾	36-6052390/001	Green	Green	No	5.6	5.7	4.4	No	Various up to March 2013
Local 68 Engineers Union Pension Plan ⁽²⁾	51-0176618/001	Green	Red	No	5.3	5.2	5.1	No	Various up to June 2014
NJ Carpenters Pension Fund	22-6174423/001	Yellow	Red	Yes	1.2	1.1	1.3	No	Various up to April 2014
Southwest Carpenters Pension Trust	95-6042875/001	Green	Green	No	0.9	0.8	0.5	No	Various up to April 2014
Other Funds					1.8	1.6	1.4		
Total Contributions					\$49.6	\$46.2	\$41.2		

⁽¹⁾ Plan years begin 2/1/11 and 2/1/10.

⁽²⁾ Plan years begin 7/1/11 and 7/1/10.

The Company was listed in its plans' Forms 5500 as providing more than 5% of the total contributions for the following plans and plan years:

Pension Fund	Year Contributions to Plan Exceeded More Than 5% of Total Contributions (as of December 31 of the Plan's Year End)
Pension Plan of the UNITE HERE National Retirement Fund	2010 and 2009
Southern Nevada Culinary and Bartenders Pension Plan	2010 and 2009
Local 68 Engineers Union Pension Plan	2010 and 2009
Nevada Resort Association IATSE Local 720 Retirement Plan	2010 and 2009

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At the date these financial statements were issued, Forms 5500 were not available for the plan year ending in 2011.

Pension Commitments

With the acquisition of London Clubs in December 2006, we assumed a defined benefit plan, which provides benefits based on final pensionable salary. The assets of the plan are held in a separate trustee-administered fund and death-in-service benefits, professional fees, and other expenses are paid by the pension plan. The most recent actuarial valuation of the plan showed a deficit of approximately \$56.4 million, which is recognized as a liability in our Consolidated Balance Sheet at December 31, 2011.

As discussed within Note 14, “Commitments and Contingent Liabilities”, with our acquisition of Caesars Entertainment, Inc., we assumed certain obligations related to the Employee Benefits and Other Employment Matters Allocation Agreement by and between Hilton Worldwide, Inc. (formerly Hilton Hotels Corporation) and Caesars Entertainment, Inc. dated December 31, 1998, pursuant to which we shall retain or assume, as applicable, all liabilities and excess assets, if any, related to the Hilton Hotels Retirement Plan based on the ratio of accrued benefits of Hilton employees and the Company’s employees covered under the plan. Based on this ratio, our share of any benefit or obligation would be approximately 30% of the total. The Hilton Hotels Retirement Plan is a defined benefit plan that provides benefits based on years of service and compensation, as defined. Since December 31, 1996, employees have not accrued additional benefits under this plan. The plan is administered by Hilton Worldwide, Inc. Hilton Worldwide, Inc. has informed the Company that, as of December 31, 2011, the plan benefit obligations exceeded the fair value of the plan assets by \$90.1 million, of which \$28.6 million is our share. We did not make contributions to the plan in 2011. Expected contributions for 2012 are \$13.1 million, of which \$4.2 million is our share.

Note 19—(Loss)/Earnings Per Share

The following table reconciles net (loss)/income attributable to Caesars to (loss)/income available to common stockholders used in our calculations of basic and diluted (loss)/earnings per share. It also reconciles the weighted-average number of common and common equivalent shares used in the calculations of basic and diluted (loss)/earnings per share. Shares and per share figures have been restated to reflect the 1.742-for-one stock split as further described in Note 22, “Subsequent Events.”

<u>(In millions, except per share amounts)</u>	<u>Year ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net (loss)/income attributable to Caesars	<u>\$(687.6)</u>	<u>\$(831.1)</u>	<u>\$ 827.6</u>
Preferred stock dividends	<u>—</u>	<u>—</u>	<u>(354.8)</u>
Net (loss)/income available to common stockholders used to calculate basic (loss)/earnings per share	<u>(687.6)</u>	<u>(831.1)</u>	<u>472.8</u>
Effect of dilutive securities on income available to common stockholders	<u>—</u>	<u>—</u>	<u>354.8</u>
Net (loss)/income available to common stockholders used to calculate diluted (loss)/earnings per share	<u>\$(687.6)</u>	<u>\$(831.1)</u>	<u>\$ 827.6</u>
Weighted-average common shares outstanding used in the calculation of basic (loss)/earnings per share	<u>125.1</u>	<u>99.3</u>	<u>70.9</u>
Potential dilution from stock options and warrants	<u>—</u>	<u>—</u>	<u>0.1</u>
Potential dilution from convertible preferred shares	<u>—</u>	<u>—</u>	<u>138.4</u>
Weighted-average common and common equivalent shares used in the calculation of diluted (loss)/earnings per share	<u>125.1</u>	<u>99.3</u>	<u>209.4</u>
Antidilutive stock options, warrants, and convertible preferred shares excluded from the calculation of diluted (loss)/earnings per share	<u>6.0</u>	<u>31.7</u>	<u>5.2</u>
(Loss)/earnings per share			
Basic	<u>\$ (5.50)</u>	<u>\$ (8.37)</u>	<u>\$ 6.67</u>
Diluted	<u>\$ (5.50)</u>	<u>\$ (8.37)</u>	<u>\$ 3.95</u>

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Note 20—Non-consolidated Affiliates

As of December 31, 2011, our investments in and advances to non-consolidated affiliates consisted of interests in a company that provides management services to a casino in Windsor, Canada, a horse-racing facility in Florence, Kentucky, a joint venture in a hotel at our combination thoroughbred racetrack and casino in Bossier City, Louisiana, a direct train line from New York City Penn Station to Atlantic City Rail Terminal, a restaurant located inside the Flamingo Hotel and Casino in Las Vegas, Nevada, and our investment in Rock Ohio Caesars, LLC in Ohio.

(In millions)	As of December 31,	
	2011	2010
Investments in and advances to non-consolidated affiliates		
Accounted for under the equity method	\$ 94.2	\$ 94.0
	<u>\$ 94.2</u>	<u>\$ 94.0</u>

Note 21—Related Party Transactions

In connection with the Acquisition, the Sponsors entered into a services agreement with Caesars Entertainment relating to the provision of financial and strategic advisory services and consulting services. We pay a monitoring fee for management services and advice. Fees paid to the Sponsors, which are included in corporate expense in our Consolidated Statements of Operations, for the years ended December 31, 2011, 2010, and 2009 were \$30.0 million, \$28.5 million, and \$28.7 million, respectively. We also reimburse the Sponsors for expenses that they incur related to their management services.

Note 22—Subsequent Events

Interest Rate Swap Agreements

On January 18, 2012, the Company amended the terms of three \$1.0 billion notional value of interest rate swap contracts with a corresponding change in the elected interest rate on \$3.0 billion of term loans under the Credit Facilities. Effective January 25, 2012 through January 25, 2014, the variable rate received on the swaps changed from 3-month to 1-month LIBOR and the fixed payment rate was reduced by 16.5 basis points.

Chester Bond Offering

On February 3, 2012, Chester Downs issued \$330.0 million aggregate principal amount of 9.25% senior secured notes due 2020 through a private placement. Chester Downs used \$232.4 million of the proceeds of the notes to repay its existing term loan plus accrued interest and a prepayment penalty. The remaining proceeds were used to make a distribution to Chester Downs' managing member, Harrah's Chester Downs Investment Company, LLC, a wholly-owned subsidiary of CEOC, and for other general corporate purposes.

Chester Put/Call

On January 20, 2012, we received notice that the minority owners of Chester Downs have elected to exercise their put rights under an operating agreement with one of its wholly-owned subsidiaries. As a result, effective as of January 22, 2012, we were required to purchase from the minority owners 90% of their interest in Chester Downs for consideration of approximately \$9.6 million. We consummated this purchase on February 14, 2012. As a result, we now have a 99.5% ownership interest in this property.

Caesars Public Offering and Stock Split

On February 8, 2012, CEC offered 1.8 million shares of its common stock in a public offering (the "Public Offering"), at \$9.00 per share. The Company received net proceeds of approximately \$15.2 million on February 13, 2012, after taking into account expenses and underwriting commissions and giving effect to the exercise of the underwriters' overallotment option. Under this option, the Company granted to the underwriters, and the underwriters subsequently exercised, a 30-day option to purchase 271,697 additional shares of its common stock at the initial price less underwriting discounts and commissions. CEC used the net proceeds from the Public Offering for general corporate purposes. None of the Sponsors or affiliates or employees of the Company participated in the Public Offering as selling stockholders.

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CEC has listed its common stock on the NASDAQ Global Select Market under the symbol “CZR.”

In connection with the Public Offering, the Company effected a 1.742-for-one split of its common stock.

Co-Investors Transaction

The Company entered into a Release and Contribution Agreement, dated as of January 25, 2012 (the “Contribution Agreement”), with certain of its direct and indirect stockholders, pursuant to which the Company, Hamlet Holdings and entities controlled by the Sponsors have agreed to release the contractual transfer restrictions on the shares of our common stock (the “Released Shares”) beneficially owned by certain indirect stockholders (the “Participating Co-Investors”). The Released Shares comprise 24.2 million shares of the Company’s common stock. In consideration for such release, the Participating Co-Investors have agreed to direct the contribution to the Company of 1.8 million Released Shares beneficially owned by each Participating Co-Investor (the “Delivered Shares”). CEC agreed to cause the registration for resale (the “Shelf Registration”) under the Securities Act of the remaining Released Shares not constituting Delivered Shares (the “Registered Shares”) and the listing of the Registered Shares on NASDAQ. Upon the effectiveness of the Shelf Registration filed in connection with the Public Offering, 50% of the Registered Shares became eligible for resale under the Shelf Registration. In connection with the Public Offering, the Participating Co-Investors agreed not to offer or sell, dispose of or hedge, directly or indirectly, the remaining 50% of the Registered Shares without the permission of certain of the underwriters for the Public Offering for a period of 180 days from the pricing of the Public Offering, subject to certain exceptions and automatic extension in certain circumstances. The shares of common stock offered by the Company in the Public Offering, excluding any shares issued pursuant to the underwriters’ option to purchase additional shares, was equal in number to the Delivered Shares contributed to CEC on behalf of the Participating Co-Investors.

CEOC Bond Offering

In February 2012, Caesars Operating Escrow LLC and Caesars Escrow Corporation, wholly owned subsidiaries of CEOC, completed the offering of \$1,250.0 million aggregate principal amount of 8.5% senior secured notes due 2020, the proceeds of which were placed into escrow. On March 1, 2012, the escrow conditions were satisfied and CEOC assumed the notes. CEOC used \$1,095.6 million of the net proceeds from this transaction to repay a portion of its credit facilities in connection with the amendment discussed below.

Amendment to CEOC Credit Facilities

On March 1, 2012, CEOC entered into an amendment to its outstanding senior secured credit agreement, to, among other things, (i) extend the maturity of B-1, B-2 and B-3 term loans held by consenting lenders from January 28, 2015 to January 28, 2018 and increase the interest rate with respect to such extended term loans (the “Term B-6 Loans”); (ii) convert original maturity revolver commitments held by consenting lenders to Term B-6 Loans and promptly following such conversion, repay Term B-6 Loans held by any consenting lender in an amount equal to 10% of the amount of revolver commitments that such lender elected to convert; (iii) extend the maturity of original maturity revolver commitments held by consenting lenders who elect not to convert their commitments to term loans, from January 28, 2014 to January 28, 2017 and increase the interest rate and the undrawn commitment fee with respect to such extended revolver commitments and upon the effectiveness of such extension, terminate 20% of extended revolver commitments on a pro rata basis; and (iv) modify certain other provisions of the credit facilities. In addition to the foregoing, the CEOC may elect to extend and/or convert additional term loans and/or revolver commitments from time to time.

After giving effect to the credit agreement amendment, there are \$2,113.1 million of existing B-1, B-2 and B-3 term loans outstanding with a maturity of January 28, 2015, \$1,862.9 million of extended Term B-6 Loans outstanding with a maturity of January 28, 2018, \$25.0 million of extended revolver commitments with a maturity of January 28, 2017 and \$1,104.5 million of existing revolving commitments outstanding with a maturity of January 28, 2014. The Term B-6 Loans will have a springing maturity to April 14, 2017 if more than \$250.0 million of the Company’s 11.25% Senior Secured Notes due 2017 remain outstanding on April 14, 2017. As part of the amendment, CEOC’s existing tranche of \$1,222.7 million of B-5 term loans maturing on January 28, 2018 was also modified to provide for the same springing maturity that applies to the Term B-6 Loans.

Note 23—Consolidating Financial Information of Guarantors and Issuers

As of December 31, 2011, CEOC is the issuer of certain debt securities that have been guaranteed by Caesars Entertainment and certain subsidiaries of CEOC. The following consolidating schedules present condensed financial information for Caesars Entertainment, the parent and guarantor; CEOC, the subsidiary issuer; guarantor subsidiaries of CEOC; and non-guarantor subsidiaries of Caesars Entertainment and CEOC, which include PHW Las Vegas and the CMBS properties, as of December 31, 2011 and December 31, 2010, and for the years ended December 31, 2011, 2010, and 2009.

In lieu of providing separate unaudited financial statements for the guarantor subsidiaries, we have included the accompanying condensed consolidating financial statements based on Rule 3-10 of the Securities and Exchange Commission's Regulation S-X. Management does not believe that separate financial statements of the guarantor subsidiaries are material to our investors; therefore, separate financial statements and other disclosures concerning the guarantor subsidiaries are not presented.

As described in more detail in Note 7, "Debt" in this 10-K, as of December 31, 2011 Caesars Entertainment has substantially completed the Octavius Tower at Caesars Palace Las Vegas and has commenced the development of Project Linq on the Las Vegas Strip. As part of the financing of the two projects, certain non-guarantor entities borrowed \$450.0 million in April 2011. Also, in April 2011, a guarantor entity contributed the existing Octavius Tower and related assets, the book value of which totaled \$312.0 million, to the Octavius non-guarantor borrower. Concurrent with this asset contribution, the contributing guarantor entity increased its investment in the non-guarantor borrower entity by the same amount. In August 2011, the Company completed the contribution of the existing O'Shea's casino (adjacent to the Flamingo Las Vegas) and related real property and other assets comprising the components of Project Linq to one of the Borrowers, the book value of which was \$319.2 million.

In August 2010, in conjunction with the amendment of the CMBS Financing, certain trademark assets were transferred from one of the Guarantor subsidiaries of CEOC to the CMBS properties, which are non-guarantor subsidiaries of the Company. This transfer of trademarks, with a book value of \$45.3 million, was not properly recorded in this footnote in our filings since that time. At December 31, 2011, the trademark values have been properly reclassified in the respective Guarantor and Non-Guarantor columns of the Condensed Consolidating Balance Sheet herein. This revision resulted in decreases in Intangible assets other than goodwill and Stockholders' equity in the Guarantors column and corresponding increases in Intangible assets other than goodwill and Stockholders' equity in the Non-Guarantors column, of this footnote. The error, which the Company has determined is not material to this disclosure for all periods, had no impact on the Company's Consolidated Balance Sheets, Consolidated Statements of Operations, or Consolidated Statements of Cash Flows for any period presented in this 10-K. In addition, the error had no impact on the Consolidating Statements of Operations and Consolidating Statements of Cash Flows within this footnote.

CAESARS ENTERTAINMENT CORPORATION
CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2011
(In millions)

	CEC (Parent)	Subsidiary Issuer	Guarantors	Non- Guarantors	Consolidating/ Eliminating Adjustments	Total
Assets						
Current assets						
Cash and cash equivalents	\$ 3.9	\$ 16.6	\$ 382.5	\$ 501.6	\$ —	\$ 904.6
Receivables, net of allowance for doubtful accounts	—	38.0	315.6	135.6	—	489.2
Deferred income taxes	—	37.9	117.7	14.9	—	170.5
Prepayments and other current assets	—	8.4	76.6	143.0	—	228.0
Inventories	—	0.4	28.2	16.3	—	44.9
Intercompany receivables	15.7	237.7	135.6	108.7	(497.7)	—
Total current assets	19.6	339.0	1,056.2	920.1	(497.7)	1,837.2
Property and equipment, net of accumulated depreciation	—	205.6	9,695.9	7,364.5	—	17,266.0
Goodwill	—	—	1,630.6	1,834.2	—	3,464.8
Intangible assets other than goodwill	—	4.9	3,816.9	834.1	—	4,655.9
Investments in and advances to non-consolidated affiliates	535.8	13,568.0	891.0	972.9	(15,873.5)	94.2
Restricted cash	—	—	—	451.1	—	451.1
Deferred charges and other	5.0	324.9	183.1	233.4	—	746.4
Intercompany receivables	469.0	1,102.8	586.0	98.7	(2,256.5)	—
	<u>\$1,029.4</u>	<u>\$15,545.2</u>	<u>\$17,859.7</u>	<u>\$12,709.0</u>	<u>\$ (18,627.7)</u>	<u>\$28,515.6</u>
Liabilities and Stockholders' Equity						
Current liabilities						
Accounts payable	\$ 0.2	\$ 99.3	\$ 106.0	\$ 88.4	\$ —	\$ 293.9
Interest payable	—	174.0	0.8	16.6	—	191.4
Accrued expenses	7.5	136.3	469.7	463.6	—	1,077.1
Current portion of long-term debt	—	20.2	7.0	13.2	—	40.4
Intercompany payables	15.0	67.9	264.8	150.0	(497.7)	—
Total current liabilities	22.7	497.7	848.3	731.8	(497.7)	1,602.8
Long-term debt	—	14,446.3	69.8	6,100.7	(857.3)	19,759.5
Deferred credits and other	—	612.5	166.0	123.3	—	901.8
Deferred income taxes	—	647.7	2,558.8	1,991.6	—	5,198.1
Intercompany notes	—	420.2	871.7	964.6	(2,256.5)	—
	22.7	16,624.4	4,514.6	9,912.0	(3,611.5)	27,462.2
Total Caesars Stockholders' equity/(deficit)	1,006.7	(1,079.2)	13,345.1	2,750.3	(15,016.2)	1,006.7
Non-controlling interests	—	—	—	46.7	—	46.7
Total stockholders' equity/(deficit)	<u>1,006.7</u>	<u>(1,079.2)</u>	<u>13,345.1</u>	<u>2,797.0</u>	<u>(15,016.2)</u>	<u>1,053.4</u>
	<u>\$1,029.4</u>	<u>\$15,545.2</u>	<u>\$17,859.7</u>	<u>\$12,709.0</u>	<u>\$ (18,627.7)</u>	<u>\$28,515.6</u>

CAESARS ENTERTAINMENT CORPORATION
CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2010
(In millions)

	CEC (Parent)	Subsidiary Issuer	Guarantors	Non- Guarantors	Consolidating/ Eliminating Adjustments	Total
Assets						
Current assets						
Cash and cash equivalents	\$ 136.0	\$ 61.0	\$ 358.2	\$ 431.8	\$ —	\$ 987.0
Receivables, net of allowance for doubtful accounts	—	18.0	261.4	113.8	—	393.2
Deferred income taxes	—	66.2	92.6	17.0	—	175.8
Prepayments and other current assets	—	29.0	77.2	77.9	—	184.1
Inventories	—	0.4	32.7	17.3	—	50.4
Intercompany receivables	3.7	313.0	161.9	169.1	(647.7)	—
Total current assets	139.7	487.6	984.0	826.9	(647.7)	1,790.5
Property and equipment, net of accumulated depreciation	—	229.8	10,457.8	7,079.0	—	17,766.6
Goodwill	—	—	1,646.1	1,774.8	—	3,420.9
Intangible assets other than goodwill	—	5.6	4,052.1	654.1	—	4,711.8
Investments in and advances to non-consolidated affiliates	1,002.3	13,924.4	7.6	914.0	(15,754.3)	94.0
Deferred charges and other	—	408.2	188.4	207.3	—	803.9
Intercompany receivables	500.0	1,106.7	669.5	184.2	(2,460.4)	—
	<u>\$1,642.0</u>	<u>\$16,162.3</u>	<u>\$18,005.5</u>	<u>\$11,640.3</u>	<u>\$ (18,862.4)</u>	<u>\$28,587.7</u>
Liabilities and Stockholders' Equity						
Current liabilities						
Accounts payable	\$ 2.1	\$ 87.6	\$ 91.3	\$ 70.4	\$ —	\$ 251.4
Interest payable	—	191.2	0.5	9.8	—	201.5
Accrued expenses	7.3	208.2	420.2	438.6	—	1,074.3
Current portion of long-term debt	—	30.0	6.7	18.9	—	55.6
Intercompany payables	—	47.9	318.8	281.0	(647.7)	—
Total current liabilities	9.4	564.9	837.5	818.7	(647.7)	1,582.8
Long-term debt	—	13,690.7	71.8	5,825.0	(802.0)	18,785.5
Deferred credits and other	—	646.4	164.2	112.5	—	923.1
Deferred income taxes	(0.2)	1,131.3	2,536.1	1,956.5	—	5,623.7
Intercompany notes	—	598.1	955.2	907.1	(2,460.4)	—
	9.2	16,631.4	4,564.8	9,619.8	(3,910.1)	26,915.1
Total Caesars Stockholders' equity/(deficit)	1,632.8	(469.1)	13,440.7	1,980.7	(14,952.3)	1,632.8
Non-controlling interests	—	—	—	39.8	—	39.8
Total stockholders' equity/(deficit)	<u>1,632.8</u>	<u>(469.1)</u>	<u>13,440.7</u>	<u>2,020.5</u>	<u>(14,952.3)</u>	<u>1,672.6</u>
	<u>\$1,642.0</u>	<u>\$16,162.3</u>	<u>\$18,005.5</u>	<u>\$11,640.3</u>	<u>\$ (18,862.4)</u>	<u>\$28,587.7</u>

CAESARS ENTERTAINMENT CORPORATION
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011
(In millions)

	<u>CEC (Parent)</u>	<u>Subsidiary Issuer</u>	<u>Guarantors</u>	<u>Non- Guarantors</u>	<u>Consolidating/ Eliminating Adjustments</u>	<u>Total</u>
Revenues						
Casino	\$ —	\$ 62.6	\$ 4,194.8	\$ 2,379.7	\$ —	\$ 6,637.1
Food and beverage	—	14.2	846.7	673.5	—	1,534.4
Rooms	—	16.7	620.9	570.6	—	1,208.2
Management fees	—	—	66.1	3.0	(33.3)	35.8
Other	—	46.5	384.9	396.6	(145.5)	682.5
Less: casino promotional allowances	—	(19.0)	(756.5)	(488.0)	—	(1,263.5)
Net revenues	<u>—</u>	<u>121.0</u>	<u>5,356.9</u>	<u>3,535.4</u>	<u>(178.8)</u>	<u>8,834.5</u>
Operating expenses						
Direct						
Casino	—	40.9	2,372.2	1,333.4	—	3,746.5
Food and beverage	—	6.7	344.1	314.9	—	665.7
Rooms	—	2.0	134.2	150.9	—	287.1
Property, general, administrative, and other	—	54.2	1,263.9	940.9	(140.5)	2,118.5
Depreciation and amortization	—	6.8	445.7	260.0	—	712.5
Write-downs, reserves, recoveries, and project opening costs	—	46.6	25.0	24.4	—	96.0
Impairment of goodwill and other non-amortizing intangible assets	—	—	11.0	—	—	11.0
Loss/(income) on interests in non-consolidated affiliates	693.4	(421.9)	(42.9)	6.1	(226.8)	7.9
Corporate expense	22.7	98.4	22.3	47.7	(38.3)	152.8
Acquisition and integration costs	0.1	1.0	1.1	2.1	—	4.3
Amortization of intangible assets	—	0.7	93.6	62.4	—	156.7
Total operating expenses	<u>716.2</u>	<u>(164.6)</u>	<u>4,670.2</u>	<u>3,142.8</u>	<u>(405.6)</u>	<u>7,959.0</u>
(Loss)/income from operations	(716.2)	285.6	686.7	392.6	226.8	875.5
Interest expense, net of interest capitalized	—	(1,953.3)	(50.2)	(328.6)	209.8	(2,122.3)
Gains on early extinguishments of debt	—	—	—	47.9	—	47.9
Other income, including interest income	25.5	70.7	17.6	134.2	(222.7)	25.3
(Loss)/income before income taxes	(690.7)	(1,597.0)	654.1	246.1	213.9	(1,173.6)
Benefit/(provision) for income taxes	3.1	776.8	(228.7)	(44.3)	—	506.9
Net (loss)/income	(687.6)	(820.2)	425.4	201.8	213.9	(666.7)
Less: net income attributable to non-controlling interests	—	—	—	(20.9)	—	(20.9)
Net (loss)/income attributable to Caesars	<u><u>\$(687.6)</u></u>	<u><u>\$ (820.2)</u></u>	<u><u>\$ 425.4</u></u>	<u><u>\$ 180.9</u></u>	<u><u>\$ 213.9</u></u>	<u><u>\$ (687.6)</u></u>

CAESARS ENTERTAINMENT CORPORATION
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010
(In millions)

	<u>CEC (Parent)</u>	<u>Subsidiary Issuer</u>	<u>Other Guarantors</u>	<u>Non- Guarantors</u>	<u>Consolidating/ Eliminating Adjustments</u>	<u>Total</u>
Revenues						
Casino	\$ —	\$ 67.9	\$ 4,487.6	\$ 2,362.4	\$ —	\$ 6,917.9
Food and beverage	—	18.6	852.1	639.9	—	1,510.6
Rooms	—	17.8	591.6	522.9	—	1,132.3
Management fees	—	2.6	61.1	1.5	(26.1)	39.1
Other	—	47.2	359.1	335.9	(165.9)	576.3
Less: casino promotional allowances	—	(23.6)	(839.1)	(494.9)	—	(1,357.6)
Net revenues	<u>—</u>	<u>130.5</u>	<u>5,512.4</u>	<u>3,367.7</u>	<u>(192.0)</u>	<u>8,818.6</u>
Operating expenses						
Direct						
Casino	—	45.3	2,533.7	1,369.9	—	3,948.9
Food and beverage	—	7.8	324.3	289.2	—	621.3
Rooms	—	2.1	121.6	135.7	—	259.4
Property, general, administrative, and other	—	52.7	1,290.8	859.0	(140.8)	2,061.7
Depreciation and amortization	—	7.3	472.0	256.2	—	735.5
Write-downs, reserves, recoveries, and project opening costs	—	27.9	90.8	31.0	—	149.7
Impairment of goodwill and other non-amortizing intangible assets	—	—	187.0	6.0	—	193.0
Loss/(income) on interests in non-consolidated affiliates	816.5	(295.8)	(30.9)	(0.6)	(487.7)	1.5
Corporate expense	23.3	85.6	21.6	61.6	(51.2)	140.9
Acquisition and integration costs	0.8	1.9	4.4	6.5	—	13.6
Amortization of intangible assets	—	0.7	97.9	62.2	—	160.8
Total operating expenses	<u>840.6</u>	<u>(64.5)</u>	<u>5,113.2</u>	<u>3,076.7</u>	<u>(679.7)</u>	<u>8,286.3</u>
(Loss)/income from operations	(840.6)	195.0	399.2	291.0	487.7	532.3
Interest expense, net of interest capitalized	(3.1)	(1,712.2)	(96.5)	(392.6)	222.8	(1,981.6)
(Losses)/gains on early extinguishments of debt	—	(4.7)	—	120.3	—	115.6
Other income, including interest income	4.5	93.3	59.8	106.9	(222.8)	41.7
(Loss)/income before income taxes	(839.2)	(1,428.6)	362.5	125.6	487.7	(1,292.0)
Benefit/(provision) for income taxes	8.1	642.2	(131.5)	(50.1)	—	468.7
Net (loss)/income	<u>(831.1)</u>	<u>(786.4)</u>	<u>231.0</u>	<u>75.5</u>	<u>487.7</u>	<u>(823.3)</u>
Less: net income attributable to non-controlling interests	—	—	—	(7.8)	—	(7.8)
Net (loss)/income attributable to Caesars	<u><u>\$(831.1)</u></u>	<u><u>\$ (786.4)</u></u>	<u><u>\$ 231.0</u></u>	<u><u>\$ 67.7</u></u>	<u><u>\$ 487.7</u></u>	<u><u>\$ (831.1)</u></u>

CAESARS ENTERTAINMENT CORPORATION
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009
(In millions)

	<u>CEC (Parent)</u>	<u>Subsidiary Issuer</u>	<u>Guarantors</u>	<u>Non- Guarantors</u>	<u>Consolidating/ Eliminating Adjustments</u>	<u>Total</u>
Revenues						
Casino	\$ —	\$ 76.1	\$ 4,724.9	\$ 2,323.3	\$ —	\$ 7,124.3
Food and beverage	—	17.3	842.3	619.7	—	1,479.3
Rooms	—	17.2	601.5	450.2	—	1,068.9
Management fees	—	8.5	60.2	1.2	(13.3)	56.6
Other	—	42.6	373.2	317.8	(141.2)	592.4
Less: casino promotional allowances	—	(22.6)	(891.6)	(499.9)	—	(1,414.1)
Net revenues	<u>—</u>	<u>139.1</u>	<u>5,710.5</u>	<u>3,212.3</u>	<u>(154.5)</u>	<u>8,907.4</u>
Operating expenses						
Direct						
Casino	—	45.9	2,575.6	1,304.0	—	3,925.5
Food and beverage	—	9.5	314.8	271.7	—	596.0
Rooms	—	1.8	111.6	100.1	—	213.5
Property, general, administrative, and other	—	40.3	1,326.8	770.0	(118.3)	2,018.8
Depreciation and amortization	—	8.3	449.5	226.1	—	683.9
Write-downs, reserves, recoveries, and project opening costs	—	(18.8)	99.1	31.2	—	111.5
Impairment of goodwill and other non-amortizing intangible assets	—	—	1,147.9	490.1	—	1,638.0
(Income)/losses on interests in non-consolidated affiliates	(854.4)	598.1	(49.0)	3.9	303.6	2.2
Corporate expense	40.1	91.5	19.1	36.2	(36.2)	150.7
Acquisition and integration costs	—	0.3	—	—	—	0.3
Amortization of intangible assets	—	0.7	112.4	61.7	—	174.8
Total operating expenses	<u>(814.3)</u>	<u>777.6</u>	<u>6,107.8</u>	<u>3,295.0</u>	<u>149.1</u>	<u>9,515.2</u>
Income/(loss) from operations	814.3	(638.5)	(397.3)	(82.7)	(303.6)	(607.8)
Interest expense, net of interest capitalized	(1.8)	(1,660.4)	(152.3)	(363.2)	285.2	(1,892.5)
Gains on early extinguishments of debt	—	3,929.6	—	1,035.9	—	4,965.5
Other income, including interest income	0.5	96.5	109.8	111.4	(285.2)	33.0
Income/(loss) before income taxes	813.0	1,727.2	(439.8)	701.4	(303.6)	2,498.2
Benefit/(provision) for income taxes	14.6	(1,052.5)	(203.7)	(410.2)	—	(1,651.8)
Net income/(loss)	827.6	674.7	(643.5)	291.2	(303.6)	846.4
Less: net income attributable to non-controlling interest	—	—	—	(18.8)	—	(18.8)
Net income/(loss) attributable to Caesars	<u>\$ 827.6</u>	<u>\$ 674.7</u>	<u>\$ (643.5)</u>	<u>\$ 272.4</u>	<u>\$ (303.6)</u>	<u>\$ 827.6</u>

CAESARS ENTERTAINMENT CORPORATION
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
(In millions)

	CEC (Parent)	Subsidiary Issuer	Guarantors	Non- Guarantors	Consolidating/ Eliminating Adjustments	Total
Cash flows provided by/(used in) operating activities	<u>\$ 182.9</u>	<u>\$ (507.6)</u>	<u>\$ 152.1</u>	<u>\$ 295.7</u>	<u>\$ —</u>	<u>\$ 123.1</u>
Cash flows from investing activities						
Acquisitions of property and equipment, net of change in construction payables	—	(12.3)	(113.3)	(157.6)	—	(283.2)
Change in restricted cash	—	—	—	(517.7)	—	(517.7)
Payments to acquire businesses, net of transaction costs and cash acquired	—	—	—	(19.0)	—	(19.0)
Purchase of additional interests in subsidiary	—	—	—	(75.4)	—	(75.4)
Payments made to acquire certain gaming rights	—	—	—	(22.7)	—	(22.7)
Investments in/advances to non-consolidated affiliates and other	(123.5)	(136.7)	(49.1)	(76.0)	309.3	(76.0)
Other	—	—	(3.8)	(19.2)	—	(23.0)
Cash flows (used in)/provided by investing activities	<u>(123.5)</u>	<u>(149.0)</u>	<u>(166.2)</u>	<u>(887.6)</u>	<u>309.3</u>	<u>(1,017.0)</u>
Cash flows from financing activities						
Proceeds from issuance of long-term debt	—	418.3	—	445.5	—	863.8
Debt issuance costs and fees	—	(3.2)	—	(14.9)	—	(18.1)
Borrowings under lending agreements	—	358.0	—	—	—	358.0
Repayments under lending agreements	—	(203.0)	—	—	—	(203.0)
Cash paid for early extinguishments of debt	—	—	(2.6)	(125.9)	—	(128.5)
Scheduled debt retirements	—	(25.2)	—	(18.5)	—	(43.7)
(Distributions to)/transfers from affiliates, net	(189.8)	67.3	49.1	382.7	(309.3)	—
Other	(1.7)	—	(8.1)	(7.2)	—	(17.0)
Cash flows provided by/(used in) financing activities	<u>(191.5)</u>	<u>612.2</u>	<u>38.4</u>	<u>661.7</u>	<u>(309.3)</u>	<u>811.5</u>
Net (decrease)/increase in cash and cash equivalents	<u>(132.1)</u>	<u>(44.4)</u>	<u>24.3</u>	<u>69.8</u>	<u>—</u>	<u>(82.4)</u>
Cash and cash equivalents, beginning of period	<u>136.0</u>	<u>61.0</u>	<u>358.2</u>	<u>431.8</u>	<u>—</u>	<u>987.0</u>
Cash and cash equivalents, end of period	<u>\$ 3.9</u>	<u>\$ 16.6</u>	<u>\$ 382.5</u>	<u>\$ 501.6</u>	<u>\$ —</u>	<u>\$ 904.6</u>

CAESARS ENTERTAINMENT CORPORATION
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010
(In millions)

	CEC (Parent)	Subsidiary Issuer	Guarantors	Non- Guarantors	Consolidating/ Eliminating Adjustments	Total
Cash flows provided by/(used in) operating activities	\$ 753.9	\$ (516.6)	\$ 59.6	\$ (126.1)	\$ —	\$ 170.8
Cash flows from investing activities						
Acquisitions of property and equipment, net of change in construction payables	—	(5.3)	(93.8)	(61.6)	—	(160.7)
Payments to acquire businesses, net of transaction costs and cash acquired	—	(18.8)	(2.1)	(9.7)	—	(30.6)
Purchase of additional interests in subsidiary	—	—	—	(19.5)	—	(19.5)
Payments made to acquire certain gaming rights	—	—	—	(16.5)	—	(16.5)
Investments in/advances to non-consolidated affiliates and other	—	—	(64.0)	—	—	(64.0)
Other	—	—	8.6	546.1	(551.3)	3.4
Cash flows (used in)/provided by investing activities	—	(24.1)	(151.3)	438.8	(551.3)	(287.9)
Cash flows from financing activities						
Proceeds from issuance of long-term debt	—	740.8	—	40.1	551.3	1,332.2
Debt issuance costs and fees	—	(17.8)	—	(46.8)	—	(64.6)
Borrowings under lending agreements	—	1,175.0	—	—	—	1,175.0
Repayments under lending agreements	—	(1,602.0)	—	(23.8)	—	(1,625.8)
Cash paid for early extinguishments of debt	—	(219.9)	—	(149.2)	—	(369.1)
Scheduled debt retirement	—	(198.5)	—	(38.5)	—	(237.0)
(Distributions to)/transfers from affiliates, net	(739.0)	742.0	4.7	(7.7)	—	—
Other	(1.6)	(2.3)	—	(19.4)	—	(23.3)
Cash flows (used in)/provided by financing activities	(740.6)	617.3	4.7	(245.3)	551.3	187.4
Effect of deconsolidation of variable interest entities	—	—	—	(1.4)	—	(1.4)
Net increase/(decrease) in cash and cash equivalents	13.3	76.6	(87.0)	66.0	—	68.9
Cash and cash equivalents, beginning of period	122.7	(15.6)	445.2	365.8	—	918.1
Cash and cash equivalents, end of period	\$ 136.0	\$ 61.0	\$ 358.2	\$ 431.8	\$ —	\$ 987.0

CAESARS ENTERTAINMENT CORPORATION
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
(In millions)

	CEC (Parent)	Subsidiary Issuer	Guarantors	Non- Guarantors	Consolidating/ Eliminating Adjustments	Total
Cash flows (used in)/provided by operating activities	<u>\$ (36.8)</u>	<u>\$ (1,015.0)</u>	<u>\$ 303.5</u>	<u>\$ 465.4</u>	<u>\$ 503.1</u>	<u>\$ 220.2</u>
Cash flows from investing activities						
Acquisitions of property and equipment, net of change in construction payables	—	8.6	(431.0)	(42.1)	—	(464.5)
Investments in/advances to non-consolidated affiliates and other	—	(66.9)	—	(213.7)	213.7	(66.9)
Other	—	20.0	—	(11.9)	—	8.1
Cash flows (used in)/provided by investing activities	<u>—</u>	<u>(38.3)</u>	<u>(431.0)</u>	<u>(267.7)</u>	<u>213.7</u>	<u>(523.3)</u>
Cash flows from financing activities						
Proceeds from issuance of long-term debt	—	2,043.5	—	216.1	—	2,259.6
Debt issuance costs and fees	—	(70.5)	—	(5.9)	—	(76.4)
Borrowings under lending agreements	—	3,076.6	—	—	—	3,076.6
Repayments under lending agreements	—	(3,535.1)	—	—	—	(3,535.1)
Cash paid for early extinguishments of debt	—	(544.9)	—	(244.9)	(213.7)	(1,003.5)
Scheduled debt retirement	—	(39.0)	—	(6.5)	—	(45.5)
Purchase of additional interest in subsidiary	—	—	(83.7)	—	—	(83.7)
Transfers from/(distributions to) affiliates, net	162.4	100.0	339.2	(98.5)	(503.1)	—
Other	(3.0)	—	(1.1)	(17.2)	—	(21.3)
Cash flows provided by/(used in) financing activities	<u>159.4</u>	<u>1,030.6</u>	<u>254.4</u>	<u>(156.9)</u>	<u>(716.8)</u>	<u>570.7</u>
Net increase/(decrease) in cash and cash equivalents	122.6	(22.7)	126.9	40.8	—	267.6
Cash and cash equivalents, beginning of period	0.1	7.1	318.3	325.0	—	650.5
Cash and cash equivalents, end of period	<u>\$ 122.7</u>	<u>\$ (15.6)</u>	<u>\$ 445.2</u>	<u>\$ 365.8</u>	<u>\$ —</u>	<u>\$ 918.1</u>

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Note 24—Quarterly Results of Operations (Unaudited)

(In millions)	First Quarter	Second Quarter⁽¹⁾	Third Quarter⁽²⁾	Fourth Quarter⁽³⁾
2011				
Net revenues	\$2,179.0	\$2,229.1	\$2,254.0	\$2,172.4
Income from operations ^(a)	213.5	252.1	198.2	211.6
Net loss	(144.8)	(153.1)	(173.4)	(195.4)
Net loss attributable to Caesars Entertainment Corporation	(147.5)	(155.5)	(164.0)	(220.6)
Diluted loss per share	(1.18)	(1.25)	(1.31)	(1.76)
2010				
Net revenues	2,188.4	2,220.7	2,288.5	2,121.0
Income/(loss) from operations ^(a)	225.8	(0.3)	175.7	131.1
Net loss	(193.6)	(272.5)	(163.2)	(194.0)
Net loss attributable to Caesars Entertainment Corporation	(195.6)	(274.0)	(164.8)	(196.7)
Diluted loss per share	(2.72)	(2.60)	(1.56)	(1.71)

⁽¹⁾ During the second quarter of 2010, the Company recorded an impairment loss of \$100.0 million.

⁽²⁾ During the third quarter of 2010, the Company recorded an impairment loss of \$44.0 million.

⁽³⁾ During the fourth quarters of 2011 and 2010, the Company recorded impairment losses of \$11.0 million and \$49.0 million, respectively.

Because loss per share amounts are calculated using the weighted average number of common and dilutive common equivalent shares outstanding during each quarter, the sum of the per share amounts for the four quarters may not equal the total loss per share amounts for the year.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

ITEM 9A. Controls and Procedures

Disclosure Controls and Procedures

Our principal executive officer and principal financial officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2011, including controls and procedures to timely alert management to material information relating to the Company and its subsidiaries required to be included in our periodic SEC filings. Based on such evaluation, they have concluded that, as of such date, our disclosure controls and procedures were effective.

Internal Control over Financial Reporting

(a) Management's Annual Report on Internal Control Over Financial Reporting

Internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our board of directors, management, and other personnel, 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. Management is responsible for establishing and maintaining adequate internal control over our financial reporting.

In May 2011, Caesars Interactive Entertainment Israel, Ltd. ("CIEI"), a subsidiary of Caesars Interactive Entertainment, Inc., which is a majority-owned subsidiary of Caesars Entertainment, acquired 51% of the voting equity interests of Playtika Ltd. ("Playtika"), a social games developer based in Israel. CIEI purchased the remaining 49% of Playtika in December 2011. For purposes of determining the effectiveness of our disclosure controls and procedures and internal control over financial reporting as of December 31, 2011, and any change in our internal control over financial reporting for the fourth quarter of 2011, management has excluded the internal control over financial reporting of Playtika from its evaluation of these matters. Our consolidated financial statements as of and for the year ended December 31, 2011, include approximately \$121 million of assets and approximately \$55 million of revenue associated with Playtika.

We have evaluated the effectiveness of our internal control over financial reporting as of December 31, 2011. The evaluation was performed using the internal control evaluation framework developed by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, management concluded that, as of such date, our internal control over financial reporting was effective.

Deloitte & Touche LLP has issued an attestation report on our internal control over financial reporting. Their report is included below.

(b) Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Caesars Entertainment Corporation:

We have audited the internal control over financial reporting of Caesars Entertainment Corporation and subsidiaries (the “Company”) as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management’s Annual Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Playtika Ltd. (“Playtika”), for which a majority ownership was acquired in May 2011 and whose financial statements constitute 0.4% total assets and 0.6% of net revenues of the consolidated financial statement amounts as of and for the year ended December 31, 2011. Accordingly, our audit did not include the internal control over financial reporting at Playtika. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and consolidated financial statement schedule as of and for the year ended December 31, 2011. Our report dated March 14, 2012 expressed an unqualified opinion on those consolidated financial statements and consolidated financial statement schedule.

/s/ Deloitte & Touche LLP

Las Vegas, Nevada
March 14, 2012

ITEM 9B. Other Information

None

PART III**ITEM 10. Directors, Executive Officers, and Corporate Governance.****Directors**

The following tables list the Directors and Executive Officers of the Company as of March 1, 2012. Jonathan Coslet resigned from our Board of Directors effective November 29, 2011. In order to fill the vacancy created by Mr. Coslet's resignation, Jeffrey T. Housenbold was appointed to serve as a director.

Name and Age	Principal Occupations or Employment
Jeffrey Benjamin (50)	Mr. Benjamin became a member of our Board of Directors in January 2008 upon consummation of the Acquisition. He has nearly 25 years of experience in the investment industry and has extensive experience serving on the boards of directors of other public and private companies, including Mandalay Resort Group, another gaming company. He has been senior advisor to Cyrus Capital Partners since June 2008 and serves as a consultant to Apollo Global Management, LLC with respect to investments in the gaming industry. He was senior advisor to Apollo Global Management, LLC from 2002 to 2008. He holds a bachelors degree from Tufts University and a masters degree from the Massachusetts Institute of Technology Sloan School of Management. He has previously served on the boards of directors of Goodman Global Holdings, Inc., Dade Behring Holdings, Inc., Chiquita Brands International, Inc., McLeod USA, Mandalay Resort Group and Virgin Media Inc. Mr. Benjamin also currently serves on the boards of directors of Spectrum Group International, Inc., Exco Resources, Inc., ImOn Communications, the American Numismatic Society and Chemtura Corporation.
David Bonderman (69)	Mr. Bonderman became a member of our Board of Directors in January 2008 upon consummation of the Acquisition. Mr. Bonderman is a TPG Founding Partner. Prior to forming TPG in 1993, Mr. Bonderman was Chief Operating Officer of the Robert M. Bass Group, Inc. (now doing business as Keystone Group, L.P.) in Fort Worth, Texas. He holds a bachelors degree from the University of Washington and a law degree from Harvard University. He has previously served on the boards of directors of Gemalto N.V., Burger King Holdings, Inc., Washington Mutual, Inc., IASIS Healthcare LLC, and Univision Communications. Mr. Bonderman also currently serves on the boards of directors of JSC VTB Bank, Energy Future Holdings Corp., General Motors Company, Armstrong World Industries, Inc., CoStar Group, Inc. and Ryanair Holdings PLC, of which he is Chairman.
Kelvin Davis (48)	Kelvin L. Davis became a member of our Board in January 2008 upon consummation of the Acquisition. Mr. Davis is a TPG Senior Partner and Head of TPG's North American Buyouts Group, incorporating investments in all non-technology industry sectors. He also leads TPG's Real Estate investing activities. Prior to joining TPG in 2000, Mr. Davis was President and Chief Operating Officer of Colony Capital, Inc., a private international real estate-related investment firm which is co-founded in 1991. He holds a bachelors degree from Stanford University and an M.B.A. from Harvard University. Mr. Davis currently serves on the boards of directors of Northwest Investments, LLC (which is an affiliate of ST Residential), Taylor Morrison, Inc., Univision Communications, Inc., and Catellus Development Corporation. He is a member of the Company's Human Resources Committee and a member of the Executive Committee.
Jeffrey Housenbold (42)	Mr. Housenbold became a member of our Board in November 2011. Mr. Housenbold has served as the President and Chief Executive Officer and a director of Shutterfly, Inc. since January 2005. Prior to joining Shutterfly, Mr. Housenbold served as Vice President of Business Development and Internet Marketing at eBay Inc., an online marketplace for the sale of goods and services, from January 2002 to January 2005. Previously, he was the Vice President & General Manager, Business-to-Consumer Group at eBay from June 2001 to January 2002, and served as Vice President, Mergers & Acquisitions at eBay from March 2001 to June 2001. Mr. Housenbold holds Bachelor of Science degrees in Economics and Business Administration from Carnegie Mellon University and a Master of Business Administration degree from the Harvard Graduate School of Business Administration. Mr. Housenbold currently serves on the Board of Directors of Clover, a mobile payments company, Digital Chocolate, a publisher of social and mobile games and the Children's Discovery Museum of San Jose. He is a member of the Company's Audit Committee.

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Name and Age	Principal Occupations or Employment
Karl Peterson (41)	Mr. Peterson became a member of our Board in January 2008 upon consummation of the Acquisition. Mr. Peterson is a TPG Partner where he serves as the Head of Europe and leads TPG's investments in travel and leisure and media & entertainment sectors. He rejoined TPG in 2004 after serving as President and Chief Executive Officer of Hotwire, Inc. Mr. Peterson led Hotwire, Inc. from inception through its sale to IAC/InterActiveCorp. Before his work at Hotwire, Inc., Mr. Peterson was a principal of TPG in San Francisco. He holds a bachelors degree from the University of Notre Dame and has previously served on the board of directors of Univision Communications, Inc. Mr. Peterson currently serves on the boards of directors of Norwegian Cruise Lines, Sabre Holdings Corporation, and Saxo Bank. Mr. Peterson is a member of the Company's Finance Committee and a member of the Nominating and Corporate Governance Committee.
Eric Press (46)	Mr. Press became a member of our Board of Directors in January 2008 upon consummation of the Acquisition. Mr. Press has been a Partner at Apollo Global Management, LLC since 2007 and has been a Partner with other Apollo entities since 1998. Mr. Press has significant experience in making and managing investments for Apollo. He has nearly 20 years of experience in financing, analyzing, investing in and/or advising public and private companies and their board of directors. He holds a bachelors degree in economics from Harvard University and a law degree from Yale University. He has previously served on the board of directors of the Rodolph Sholom School, Innkeepers Trust USA, Wyndham International, Quality Distribution, Inc. AEP Industries, and WMC Finance Corp. Mr. Press also serves on the boards of directors of Prestige Cruise Holdings, Inc., Noranda Aluminum, Affinion Group Holdings, Inc., Metals USA Holdings Corp., Verso Paper Corp., WMC Residco, Inc., Apollo Commercial Real Estate Finance, Inc., and Athene.
Marc Rowan (49)	Mr. Rowan became a member of our Board of Directors in January 2008 upon consummation of the Acquisition. Mr. Rowan is a founding partner of Apollo Global Management, LLC. He has more than 25 years of experience in financing, analyzing, investing in and/or advising public and private companies and their board of directors. He holds a bachelors degree from the University of Pennsylvania and an M.B.A. from The Wharton School. He has previously served on the boards of directors of AMC Entertainment, Inc., Culligan Water Technologies, Inc., Furniture Brands International, Mobile Satellite Ventures, National Cinemedia, Inc., National Financial Partners, Inc., New World Communications, Inc., Quality Distribution, Inc., Samsonite Corporation, SkyTerra Communications Inc., Unity Media SCA, The Vail Corporation, Cannondale Bicycle Corp., Riverdale Country School, Cablecom GmbH, Rare Medium, and Wyndham International, Inc. Mr. Rowan also serves on the boards of directors of the general partner of AAA Guernsey Limited, Athene Re, Countrywide pic, Youth Renewal Fund, National Jewish Outreach Program, Inc., Undergraduate Executive Board of the Wharton School, Rowan Family Foundation, Wharton Private Equity Partners, and Norwegian Cruise Lines. He is a member of the Company's Executive Committee, the Finance Committee and the Human Resources Committee.
David B. Sambur (31)	Mr. Sambur became a member of our Board of Directors in November 2010. Mr. Sambur joined Apollo in 2004. Mr. Sambur has experience in financing, analyzing, investing in and/or advising public and private companies and their board of directors. Prior to joining Apollo, Mr. Sambur was a member of the Leveraged Finance Group of Salomon Smith Barney Inc. Mr. Sambur serves on the board of directors of Verso Paper Corp., Momentive Performance Materials Holdings and Momentive Specialty Chemical, Inc. Mr. Sambur graduated summa cum laude and Phi Beta Kappa from Emory University with a BA in Economics. He is a member of the Company's Nominating and Corporate Governance Committee.
Lynn C. Swann (59)	Mr. Swann became a member of our Board in April 2008. Mr. Swann has served as president of Swann, Inc., a consulting firm specializing in marketing and communications since 1976. Mr. Swann was also a broadcaster for the American Broadcasting Company from 1976 to 2005. He holds a bachelors degree from the University of Southern California. Mr. Swann also serves on the boards of directors of Hershey Entertainment and Resorts Company, H. J. Heinz Company and Empower Software Solutions. Mr. Swann also holds a Series 7 and Series 63 registration. He is member of the Company's Human Resources Committee, Nominating and Corporate Governance Committee, and the 162(m) Plan Committee.

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<u>Name and Age</u>	<u>Principal Occupations or Employment</u>
Jinlong Wang (54)	Mr. Wang became a member of our Board in November 2010. Mr. Wang is currently Senior Vice President of Starbucks Coffee Company and President of Starbucks Asia Pacific region. Prior to his current role from July 2009 to June 2011, Mr. Wang served as Chairman and acting President of Starbucks Greater China; Senior Vice President-Business Development of Starbucks Coffee International Company Limited. From October 2005 to June 2009, Mr. Wang served as Senior Vice President of Starbucks Corporation and President of Starbucks Greater China during which time he was responsible for overseeing all facets of Starbucks activities in the Greater China market including vision and strategy, business development and operations, etc. From January 2003 to August 2005, Mr. Wang served as Vice Chairman and President of Shanghai Buddies CVS Co. Ltd., or Buddies, during which time he and his team created the 2nd generation of the Chinese convenience store. Prior to his time at Buddies from May 1992 to December 2000, Mr. Wang held various positions for different divisions of Starbucks corporation, including Vice President-International Business Development, and Vice President and Director of Starbucks Law and Corporate Affairs department. Before joining Starbucks, Mr. Wang was an attorney at Preston Gates & Ellis LLP and Milbank, Tweed, Hadley & McCloy LLP. Mr. Wang also serves as director, chairman and legal representative at various Starbucks entities including Starbucks holding and investment companies, joint venture companies, etc. in Starbucks Greater China region and Starbucks Asia Pacific region. He is a member of the Company's Audit Committee.
Christopher J. Williams (54)	Mr. Williams became a member of our Board in April 2008. Mr. Williams has been Chairman of the Board and Chief Executive Officer of Williams Capital Group, L.P., an investment bank, since 1994, and Chairman of the Board and Chief Executive Officer of Williams Capital Management, LLC, an investment management firm, since 2002. He holds a bachelors degree from Harvard University and an M.B.A. from the Dartmouth College Tuck School of Business. Mr. Williams was a director of Caesars from November 2003 to January 2008, and was a member of the Audit Committee. Mr. Williams also serves on the boards of directors for The Partnership for New York City, the National Association of Securities Professionals, and Wal-Mart Stores, Inc. He is Chairman of the Company's Audit Committee and is a member of the 162(m) Plan Committee.

Executive Officers*

<u>Name and Age</u>	<u>Positions and Offices Held and Principal Occupations or Employment During Past 5 Years</u>
Gary W. Loveman (51)	Mr. Loveman has been a Director since 2000; Chairman of the Board since January 1, 2005; Chief Executive Officer since January 2003; President since April 2001. He has over 13 years of experience in retail marketing and service management, and he previously served as an associate professor at the Harvard University Graduate School of Business. He holds a bachelors degree from Wesleyan University and a Ph.D. in Economics from the Massachusetts Institute of Technology. Mr. Loveman also serves as a director of Coach, Inc., a designer and marketer of high-quality handbags and women's and men's accessories, and FedEx Corporation, a world-wide provider of transportation, e-commerce and business services, each of which are traded on the New York Stock Exchange.
Jonathan S. Halkyard (47)	Mr. Halkyard became our Chief Financial Officer in August 2006 and Executive Vice President in November 2011. He served as Senior Vice President from July 2005 to November 2011. He served as Treasurer from November 2003 through July 2010. He served as a Vice President from November 2002 to July 2005, Assistant General Manager-Harrah's Las Vegas from May 2002 to November 2002 and Vice President and Assistant General Manager-Harrah's Lake Tahoe from September 2001 to May 2002. He also serves on the Board of Directors of Dave & Busters, Inc.
Timothy R. Donovan (56)	Mr. Donovan became our Executive Vice President in November 2011, General Counsel in April 2009 and our Chief Regulatory and Compliance Officer in January 2011. He served as Senior Vice President from April 2009 to November 2011. Prior to joining us, Mr. Donovan served as Executive Vice President, General Counsel and Corporate Secretary of Republic Services, Inc. from December 2008 to March 2009 after a merger with Allied Waste Industries, Inc., where he served in the same capacities from April 2007 to December 2008. Mr. Donovan earlier served as Executive Vice President-Strategy & Business Development and General Counsel of Tenneco, Inc. from July 1999 to March 2007. He also serves on the Board of Directors of John B. Sanfilippo & Son, Inc.

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Name and Age	Positions and Offices Held and Principal Occupations or Employment During Past 5 Years
Thomas M. Jenkin (57)	Mr. Jenkin became our President of Operations in November 2011. He served as Western Division President from January 2004 through November 2011. He served as Senior Vice President-Southern Nevada from November 2002 to December 2003 and Senior Vice President and General Manager-Rio from July 2001 to November 2002.
Janis L. Jones (62)	Ms. Jones became our Executive Vice President of Communications and Government Relations in November 2011. She served as our Senior Vice President of Communications and Government Relations from November 1999 through November 2011. She served as Senior Vice President of Communications and Government Relations from November 1999 to November 2011. Prior to joining Caesars, Ms. Jones served as Mayor of Las Vegas from 1991 to 1999.
John W. R. Payne (43)	Mr. Payne became our President of Enterprise Shared Services in July 2011. He served as Central Division President from January 2007 through November 2011. Before becoming President of Enterprise Shared Services and Central Division President, Mr. Payne served as Atlantic City Regional President from January 2006 to December 2006, Gulf Coast Regional President from June 2005 to January 2006, Senior Vice President and General Manager-Harrah's New Orleans from November 2002 to June 2005 and Senior Vice President and General Manager-Harrah's Lake Charles from March 2000 to November 2002.
Mary H. Thomas (45)	Ms. Thomas became our Executive Vice President, Human Resources in November 2011. She served as our Senior Vice President, Human Resources from January 2006 to November 2011. Prior to joining us, Ms. Thomas served as Senior Vice President-Human Resources North America for Allied Domecq Spirits & Wines from October 2000 to December 2005.
Steven M. Tight (56)	Mr. Tight became our President, International Development in July 2011. Prior to joining us, Mr. Tight served as Chief Executive Officer of Aquiva Development from August 2008 to August 2009 and Chief Executive Officer of Al Sharq Investment from December 2004 to July 2008. Mr. Tight earlier served as Senior Vice President of Development for the Walt Disney Company from June 1987 to April 2004.

*** All positions are subject to required regulatory approvals.**

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and officers to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and to furnish us with copies of all forms filed. To our knowledge, based solely on review of the copies of such reports furnished to us and written representations that no other reports were required during the past fiscal year, all Section 16(a) filing requirements applicable to our officers and directors were met.

Code of Ethics

Since 2003, we have had a Code of Business Conduct and Ethics, or the Code, that applies to our Chairman, Chief Executive Officer and President, Chief Operating Officer, Chief Financial Officer and Chief Accounting Officer and is intended to qualify as a “code of ethics” as defined by rules of the Securities and Exchange Commission.

This Code is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submit to, the SEC and in other public communications made by us;
- compliance with applicable governmental laws, rules and regulations;
- prompt internal reporting to an appropriate person or persons identified in the Code of violations of the Code; and
- accountability for adherence to the Code.

This Code is available on our website at www.caesars.com under “Investor Relations—Corporate Governance.”

Statement of Business Principles and Policies

In January 2012, our Board adopted a Statement of Business Principles and Policies that applies to all of our directors, officers and employees and is intended to comply with the NASDAQ listing requirement for a code of conduct. The statement contains general guidelines for conducting the business of the company consistent with the highest standards of business ethics. Waivers of the policies set forth in the statement will be granted on a case-by-case basis and only in extraordinary circumstances. Any waivers of the policies for directors or executive officers may be made only by our Board and will be promptly disclosed to the public. The Statement of Business Principles and Policies is available on our website at www.caesars.com under “Investor Relations—Corporate Governance.”

Staggered Board

Pursuant to our certificate of incorporation, our Board is divided into three classes. The members of each class will serve for a staggered, three-year term. Upon the expiration of the term of a class of directors, directors in that class will be elected for three-year terms at the annual meeting of stockholders in the year in which their term expires. The classes are composed as follows:

- Jeffrey Benjamin, Jeffrey T. Housenbold, Lynn C. Swann and Jinlong Wang are Class I directors, whose terms will expire at the fiscal 2013 annual meeting of stockholders;
- Kelvin L. Davis, Karl Peterson, Eric Press and David Sambur are Class II directors, whose terms will expire at the fiscal 2014 annual meeting of stockholders; and
- David Bonderman, Gary W. Loveman, Marc Rowan and Christopher J. Williams are Class III directors, whose terms will expire at the fiscal 2015 annual meeting of stockholders.

Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of our directors. This classification of our board of directors may have the effect of delaying or preventing changes in control of our company.

Committees of Our Board of Directors

Board Committees

Our Board has six standing committees: an audit committee, a human resources committee, a nominating and corporate governance committee, a finance committee, an executive committee and a 162(m) plan committee. The charters for each of these committees are available on our website at www.caesars.com under “Investor Relations—Corporate Governance.”

We have chosen the “controlled company” exception under the NASDAQ rules which exempts us from certain requirements, including the requirements that we have a majority of independent directors on our Board and that we have compensation and nominating and corporate governance committees composed entirely of independent directors. We will, however, remain subject to the requirement that we have an audit committee composed entirely of independent members. If at any time we cease to be a “controlled company” under the NASDAQ Rules, the board of directors will take all action necessary to comply with the applicable NASDAQ Rules, including appointing a majority of independent directors to our Board and establishing certain committees composed entirely of independent directors, subject to a permitted “phase-in” period.

Audit Committee

Our audit committee consists of Messrs. Christopher J. Williams, as chairperson, Jinlong Wang and Jeffrey T. Housenbold. Our Board has determined that Mr. Williams qualifies as an “audit committee financial expert” as such term is defined in Item 407(d)(5) of Regulation S-K and that Messrs. Williams, Wang and Housenbold are independent as independence is defined in Rule 10A-3 of the Exchange Act and under the NASDAQ listing standards. The purpose of the audit committee is to oversee our accounting and financial reporting processes and the audits of our financial statements, provide an avenue of communication among our independent auditors, management, our internal auditors and our Board, and prepare the audit-related report required by the SEC to be included in our annual proxy statement or annual report on Form 10-K. The principal duties and responsibilities of our audit committee are to oversee and monitor the following:

- preparation of annual audit committee report to be included in our annual proxy statement;
- our financial reporting process and internal control system;
- the integrity of our financial statements;
- the independence, qualifications and performance of our independent auditor;
- the performance of our internal audit function; and
- our compliance with legal, ethical and regulatory matters.

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The audit committee has the power to investigate any matter brought to its attention within the scope of its duties. It also has the authority to retain counsel and advisors to fulfill its responsibilities and duties.

Human Resources Committee

See “—Executive Compensation—Compensation Discussion and Analysis—Corporate Governance—Our Human Resources Committee.”

162(m) Plan Committee

Our 162(m) Plan Committee consists of Lynn C. Swann and Christopher J. Williams. The 162(m) Plan Committee reviews and approves compensation that is intended to qualify as “performance based compensation” under Section 162(m) of the Internal Revenue Code. For more information about our 162(m) Plan Committee, please see “—Executive Compensation—Compensation Discussion and Analysis—Corporate Governance—Our Human Resources Committee.”

Nominating and Corporate Governance Committee

Our Board has established a nominating and corporate governance committee whose members are Messrs. Karl Peterson, David B. Sambur and Lynn Swann. The principal duties and responsibilities of the nominating and corporate governance committee are as follows:

- to establish criteria for board and committee membership and recommend to our Board proposed nominees for election to the Board and for membership on committees of our Board;
- to make recommendations regarding proposals submitted by our stockholders; and
- to make recommendations to our Board regarding board governance matters and practices.

We have chosen the “controlled company” exception under the NASDAQ rules which exempts us from the requirement that we have a nominating and corporate governance committee composed entirely of independent directors.

Finance Committee

Our finance committee consists of Karl Peterson and Marc Rowan. The finance committee has been delegated oversight of our financial matters, primarily relating to indebtedness and financing transactions.

Executive Committee

Our executive committee consists of Gary Loveman, as chairperson, Kelvin Davis and Marc Rowan. The executive committee has all the powers of our Board in the management of our business and affairs, including without limitation, the establishment of additional committees or subcommittees of our Board and the delegation of authority to such committees and subcommittees, and may act on behalf of our Board to the fullest extent permitted under Delaware law and our organizational documents. The executive committee serves at the pleasure of our Board and may act by a majority of its members, provided that at least one member affiliated with TPG and Apollo must approve any action of the executive committee. This committee and any requirements or voting mechanics or participants may continue or be changed once Apollo and TPG no longer own a controlling interest in us.

Board Leadership Structure and Risk Oversight

Our Board’s leadership structure combines the positions of chief executive officer and chairman of the board. We believe this leadership structure is appropriate due, in part, to our Sponsors control of our common stock and our Board. The Board has not designated a lead independent director.

The Board exercises its role in the oversight of risk as a whole and through the Audit Committee. The Audit Committee receives regular reports from the Company’s risk management and compliance departments.

ITEM 11. Executive Compensation.

Compensation Discussion and Analysis

Corporate Governance

Our Human Resources Committee. The HRC serves as our compensation committee with the specific purpose of designing, approving, and evaluating the administration of our compensation plans, policies, and programs. The HRC's role is to ensure that compensation programs are designed to encourage high performance, promote accountability and align employee interests with the interests of our stockholders. The HRC is also charged with reviewing and approving the compensation of the Chief Executive Officer and our other senior executives, including all of the named executive officers. The HRC operates under our Human Resources Committee Charter. The HRC Charter was updated on January 31, 2012. It is reviewed no less than once per year with any recommended changes presented to our Board for approval.

The HRC currently consists of Messrs. Kelvin L. Davis, Marc Rowan and Lynn C. Swann. The qualifications of the HRC members stem from roles as corporate leaders, private investors, and board members of several large corporations. Their knowledge, intelligence, and experience in company operations, financial analytics, business operations, and understanding of human capital management enables the members to carry out the objectives of the HRC.

In fulfilling its responsibilities, the HRC is entitled to delegate any or all of its responsibilities to a subcommittee of the HRC or to specified executives of Caesars, except that it may not delegate its responsibilities for any matters where it has determined such compensation is intended to comply with the exemptions under Section 16(b) of the Securities Exchange Act of 1934.

In February 2009, our Board formed the 162(m) Plan Committee comprised of two members: Lynn C. Swann and Christopher J. Williams. The purpose of the 162(m) Plan Committee is to administer the Harrah's Entertainment, Inc. 2009 Senior Executive Incentive Plan.

HRC Consultant Relationships. The HRC has the authority to engage services of independent legal counsel, consultants and subject matter experts in order to analyze, review, recommend and approve actions with regard to Board compensation, executive officer compensation, or general compensation and plan provisions. We provide for appropriate funding for any such services commissioned by the HRC. These consultants are used by the HRC for purposes of executive compensation review, analysis, and recommendations. The HRC has engaged and expects to continue to engage external consultants for the purposes of determining Chief Executive Officer and other senior executive compensation. However, with respect to 2011 compensation, the HRC did not engage any consultants. Rather, consultants were engaged by our Human Resources executives, and these consultants helped formulate information that was then provided to the HRC. See "Role of outside consultants in establishing compensation" below.

2011 HRC Activity

During five meetings in 2011, as delineated in the Human Resources Committee Charter and as outlined below, the HRC performed various tasks in accordance with their assigned duties and responsibilities, including:

- **Chief Executive Officer Compensation:** reviewed and approved corporate goals and objectives relating to the compensation of the Chief Executive Officer, evaluated the performance of the Chief Executive Officer in light of these approved corporate goals and objectives and relative to peer group, evaluated and awarded the equity compensation, annual bonus and bonus under the Project Renewal Incentive Plan of the Chief Executive Officer based on such evaluation.
- **Other Senior Executive Compensation:** set base compensation, annual bonus (other than those executives that receive bonuses under the 2009 Senior Executive Incentive Plan), awarded bonuses under the Project Renewal Incentive Plan and equity compensation for all senior executives, which included an analysis relative to our competition peer group
- **Executive Compensation Plans:** reviewed status of various executive compensation plans, programs, and incentives, including the Annual Management Bonus Plan, our various deferred compensation plans, the Revenue Growth Incentive Plan and our various equity plans, and implemented a new bonus plan, the Project Renewal Incentive Plan.

Role of Human Resources Committee. The HRC has sole authority in setting the material compensation of our senior executives, including base pay, incentive pay (other than those executives that receive bonuses under the 2009 Senior Executive Incentive Plan) and equity awards. The HRC receives information and input from our senior executives and outside consultants (as described below) to help establish these material compensation determinations, but the HRC is the final arbiter on these decisions.

Role of Company executives in establishing compensation. When determining the pay levels for the Chief Executive Officer and our other senior executives, the HRC solicits advice and counsel from internal as well as external resources. Internal company resources include the Chief Executive Officer, Executive Vice President of Human Resources and Vice President of Compensation, Benefits and Human Resource Systems and Services. The Executive Vice President of Human Resources is responsible for developing and implementing our business plans and strategies for all company-wide human resource functions, as well as day-to-day human resources operations. The Vice President of Compensation, Benefits and Human Resource Systems and Services is responsible for the design, execution, and daily administration of our compensation, benefits, and human resources shared-services operations. Both of these Human Resources executives attend the HRC meetings, at the request of the HRC, and act as a source of informational resources and serve in an advisory capacity. The Corporate Secretary is also in attendance at each of the HRC meetings and oversees the legal aspects of our executive compensation and benefit plans, updates the HRC regarding changes in laws and regulations affecting our compensation policies, and records the minutes of each HRC meeting. The Chief Executive Officer also attends HRC meetings.

In 2011, the HRC communicated directly with the Chief Executive Officer and top Human Resources executives in order to obtain external market data, industry data, internal pay information, individual and our performance results, and updates on regulatory issues. The HRC also delegated specific tasks to the Human Resources executives in order to facilitate the decision making process and to assist in the finalization of meeting agendas, documentation, and compensation data for HRC review and approval.

The Chief Executive Officer annually reviews the performance of our senior executives and, based on these reviews, recommends to the HRC compensation for all senior executives, other than his own compensation. The HRC, however, has the discretion to modify the recommendations and makes the final decisions regarding material compensation to senior executives, including base pay, incentive pay (other than those executives that receive bonuses under the 2009 Senior Executive Incentive Plan), and equity awards.

Role of outside consultants in establishing compensation. Our internal Human Resources executives regularly engage outside consultants to provide advice related to our compensation policies. Standing consulting relationships are held with several global consulting firms specializing in executive compensation, human capital management, and board of director pay practices. During 2011, the services performed by consultants that resulted in information provided to the HRC are set forth below:

1. Towers Watson provided us with advice regarding our equity compensation plan and other long term incentives on managing our Long Term Incentive (“LTI”) program. Towers Watson also provided advice in methods of executing a re-pricing of our outstanding equity options. Towers Watson also provided external benchmarking data to compare against current compensation policies.
2. Aon Hewitt provided us with advice regarding our equity compensation plan and provided external benchmarking data to compare against our current equity compensation practices.
3. Mercer Human Resources Consulting was retained by the Savings & Retirement Plan (401k) and Executive Deferred Compensation Plan Investment Committees to advise these Committees on investment management performance, monitoring, investment policy development, and investment manager searches. Mercer also provides plan design, compliance, and operational consulting for our qualified defined contribution plan and non-qualified deferred compensation plans.

The consultants provided the information described above to our Human Resources executives to help formulate information that is then provided to the HRC. The consultants did not interact with each other in 2011, as they each work on discrete areas of compensation. We engaged Mercer Human Resources Consulting to perform consulting services for us regarding our 401(k) Plan and our Executive Deferred Compensation Plans. The fees for these services for 2011 were \$506,873 for the 401(k) Plan and \$111,210 for the Executive Deferred Compensation Plans.

Objectives of Compensation Programs

Our executive compensation program is designed to achieve the following objectives:

- Align our rewards strategy with our business objectives, including enhancing stockholder value and customer satisfaction;
- Support a culture of strong performance by rewarding employees for results;
- Attract, retain and motivate talented and experienced executives; and

- Foster a shared commitment among our senior executives by aligning our and their individual goals.

These objectives are ever present and are at the forefront of our compensation philosophy and all compensation design decisions.

Compensation Philosophy

Our compensation philosophy provides the foundation upon which all of our compensation programs are built. Our goal is to compensate our executives with a program that rewards loyalty, results-driven individual performance, and dedication to the organization's overall success. These principles define our compensation philosophy and are used to align our compensation programs with our business objectives. Further, the HRC specifically outlines in its charter the following duties and responsibilities in shaping and maintaining our compensation philosophy:

- Assess whether the components of executive compensation support our culture and business goals;
- Consider the impact of executive compensation programs on stockholders;
- Consider issues and approve policies regarding qualifying compensation for executives for tax deductibility purposes;
- Approve the appropriate balance of fixed and variable compensation; and
- Approve the appropriate role of performance based and retention based compensation.

Our executive compensation programs are structured to reward our executives for their contributions in achieving our mission of providing outstanding customer service and attaining strong financial results, as discussed in more detail below. Our executive compensation policy is designed to attract and retain high caliber executives and motivate them to superior performance for the benefit of our stockholders.

Various company policies are in place to shape our executive pay plans, including:

- Salaries are linked to competitive factors, internal equity, and can be increased as a result of successful job performance;
- Our annual bonus programs are competitively based and provide incentive compensation based on our financial performance and customer service scores;
- Long-term incentives are tied to enhancing stockholder value and to our financial performance; and
- Qualifying compensation paid to senior executives is designed to maximize tax deductibility, where possible.

The executive compensation practices are intended to compensate executives primarily on performance, with a large portion of potential compensation at risk. In the past, the HRC has set senior executive compensation with two driving principles in mind: (1) delivering financial results to our stockholders and (2) ensuring that our customers receive a great experience when visiting our properties. To that end, historically the HRC has set our senior executive compensation so that at least 50% of our senior executives' total compensation is at risk based on these objectives.

In 2008, as a result of the Acquisition and there being no public market for our common stock, the HRC deviated from our long-term compensation philosophy by awarding a "megagrant" equity award in lieu of annual equity grants that we had historically awarded like many other public companies. However, the HRC continues to review our equity awards, and has subsequently re-priced existing grants and awarded supplemental equity grants to select senior executives in 2010 and 2011, as more fully described below.

Compensation Program Design

The executive compensation program is designed with our executive compensation objectives in mind and is comprised of fixed and variable pay plans, cash and non-cash plans, and short and long-term payment structures in order to recognize and reward executives for their contributions to our Company today and in the future.

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The table below reflects our short-term and long-term executive compensation programs during 2011:

Short-term	Long-term
<i>Fixed and Variable Pay</i>	<i>Variable Pay</i>
Base Salary	Equity Awards
Annual Management Bonus Plan	Executive Supplemental Savings Plan II
2009 Senior Executive Incentive Plan	Revenue Growth Incentive Plan
Cross Market Bonus Plan	Project Renewal Incentive Plan
Customer Service Jackpot Plan	
Corporate Expense Jackpot Plan	

The variable compensation to be paid to each of our NEOs for 2011 includes annual bonuses under the Annual Management Bonus Plan, for Messrs. Jenkin and Payne, and under the Senior Executive Incentive Plan for Messrs. Loveman and Halkyard and Ms. Thomas. Determination of performance against the goals of the Annual Management Bonus Plan for Messrs. Jenkin and Payne is at the discretion of the HRC, with input from the Chief Executive Officer. Determination of performance against the goals for the Senior Executive Incentive Plan for Messrs. Loveman and Halkyard and Ms. Thomas is at the discretion of the 162(m) Committee, with input from Mr. Loveman for Mr. Halkyard and Ms. Thomas.

Our variable compensation program also consists of the Revenue Growth Incentive Plan ("RGIP"), the Project Renewal Incentive Plan ("PRIP"), the Cross Market Bonus Plan, the Customer Service Jackpot Plan and the Corporate Expense Jackpot Plan. The goals of these plans are discussed in more detail below. No compensation is due under the RGIP until 2013. Partial payout of the PRIP occurred in 2011 and was paid to our NEOs. See "—Summary Compensation Table." Payout information for the PRIP in 2011 is summarized below, and individual performance was taken into account in determining the size of the payout, though the payout amounts followed a formula in almost all instances.

In addition, variable compensation also consists of our equity award grants, which consist of stock option grants. During 2011, we granted stock options to our NEOs. The number of stock options granted to our NEOs in 2011 was intended to supplement the value of the 2008 "mega-grants", and also to provide additional future value with a goal of strengthening employee retention. Individual performance was taken into account in determining participation and grant size.

We periodically assess and evaluate the internal and external competitiveness for all components of our executive compensation program. Internally, we look at critical and key positions that are directly linked to our profitability and viability. We review our compensation structure to determine whether the appropriate hierarchy of jobs is in place with appropriate ratios of Chief Executive Officer compensation to other senior executive compensation. We believe the appropriate ratio of Chief Executive Officer compensation compared to other senior executives ranges from 1.67:1 on the low end to 6:1 on the high end. These ratios are merely a reference point for the HRC in setting the compensation of our Chief Executive Officer, and were set after reviewing the job responsibilities of our Chief Executive Officer versus other senior executives and market practice. Internal equity is based on both quantitative and qualitative job evaluation methods, including span of control, required skills and abilities, long-term career growth opportunities as well as relevant comparative financial and non-financial job metrics. Externally, benchmarks are used to provide guidance and to improve our ability to attract, retain, and recruit talented senior executives. Due to the highly competitive nature of the gaming industry, as well as the competitiveness across industries for talented senior executives, it is important for our compensation programs to provide us the ability to internally develop executive talent, as well as recruit highly qualified senior executives.

The overall design of the executive compensation program and the elements thereof is a culmination of years of development and compensation plan design adjustments. Each year the plans are reviewed for effectiveness, competitiveness, and legislative compliance. The current plans have been put into place with the approval of the HRC and in support of the principles of the compensation philosophy and objectives of our pay practices and policies.

In 2009, our Human Resources department conducted a review of compensation practices of competitors in the gaming industry and our Human Resources department continued to review and update the analysis in 2010 and 2011. The review covered a range of senior roles and competitive practices. As a result of this review, the HRC believes that the current compensation program adequately compensates and provides incentive to our executives. The companies comprising our peer group for the 2009 review and 2010-2011 update were:

- Ameristar Casinos, Inc.

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- Boyd Gaming Corporation
- Isle of Capri Casinos
- Las Vegas Sands Corp.
- MGM Resorts International
- Penn National Gaming, Inc.
- Station Casinos, Inc.
- Trump Entertainment Resorts
- Wynn Resorts, Limited

In 2011, we engaged Aon Hewitt to provide a review of equity compensation practices. The review covered practices at a broad range of 30 US companies of comparable size and geographic scope to the US and was not limited to peers in the gaming industry. The study included the following companies:

- Marriott International, Inc.
- Starwood Hotels & Resorts Worldwide, Inc.
- Wyndham Hotels & Resorts, LLC
- McDonald's Corporation
- Darden Restaurants, Inc.
- Yum! Brands, Inc.
- CVS Caremark Corporation
- The Kroger Co.
- Home Depot
- Target Corporation
- Walgreen Co.
- Lowe's Companies, Inc.
- SuperValu Inc.
- Staples Inc.
- Macy's
- The TJX Companies, Incorporated
- J.C. Penney Company, Inc.
- The Gap, Inc.
- Genuine Parts Company
- Starbucks Corporation
- Nordstrom, Inc.
- VF Corporation
- Office Max
- Ross Stores, Inc.
- Auto Zone

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- The Pantry, Inc.
- PetSmart, Inc.
- Travel Centers of America
- Radio Shack Corporation
- Williams-Sonoma, Inc.

Impact of Performance on Compensation

The impact of individual performance on compensation is reflected in base pay merit increases, setting the annual bonus plan payout percentages as compared to base pay, and the amount of equity awards granted. The impact of our financial performance and customer satisfaction is reflected in the calculation of the annual bonus payment and the intrinsic value of equity awards. Supporting a performance-based culture and providing compensation that is directly linked to outstanding individual and overall financial results is at the core of our compensation philosophy and human capital management strategy.

For senior executives, the most significant compensation plans that are directly affected by the attainment of performance goals are our Annual Management Bonus Plan and Senior Executive Incentive Plan. The bonus plan performance criteria, target percentages, and plan awards under our Annual Management Bonus Plan for the bonus payments for fiscal 2011 (paid in 2012) were set in February 2011; however, the HRC continued its past practice of periodically reviewing performance criteria against plan. The bonus plan performance criteria, target percentages, and plan awards under the Senior Executive Incentive Plan were set in February 2011. The financial measurements used to determine the bonus under our Annual Management Bonus Plan are Adjusted EBITDA and corporate expense (prior to allocation to our properties). The non-financial measurement used to determine plan payments is customer satisfaction. The financial measure for the Senior Executive Incentive Plan is EBITDA, as more fully described below.

Based on performance goals set by the HRC each year, there are minimum requirements that must be met in order for a bonus plan payment to be provided under the Annual Management Bonus Plan. Just as bonus payments are increased as performance goals are exceeded, results falling short of goals reduce or eliminate bonus payments. In order for participants in our Annual Management Bonus Plan to receive a bonus, a minimum attainment of 90% of financial and customer satisfaction scores approved by the HRC must be met.

Elements of Compensation

Elements of Active Employment Compensation and Benefits

The total direct compensation mix for each named executive officer, or NEO, varies. For our Chief Executive Officer, the allocation for 2011 was 40% for base salary and 60% for annual bonus. For the other NEOs in 2011, the average allocation was 58% for base salary and 42% for annual bonus. Each compensation element is considered individually and as a component within the total compensation package. In reviewing each element of our senior executives' compensation, the HRC reviews peer data, internal and external benchmarks, our performance over the past 12 months (as compared to our internal plan as well as compared to other gaming companies) and the executive's individual performance. Prior compensation and wealth accumulation is considered when making decisions regarding current and future compensation; however, it has not been a decision point used to cap a particular compensation element.

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Peer Group

We and the HRC review the compensation of our NEOs against its peer groups. The table below shows the amounts paid for our NEOs in 2011, and the Peer Group Median for each category of compensation, as measured in 2010, the latest data available for the peer group.

	Base Salary		Option Awards		Non-Equity Incentive Plan Compensation		All Other Compensation	
	Paid(\$)	Peer Group Median(\$)	Paid(\$)	Peer Group Median(\$)	Paid(\$)	Peer Group Median(\$)	Paid(\$)	Peer Group Median(\$)
Gary W. Loveman, President and Chief Executive Officer	1,900,000	1,100,000	13,428,357	1,732,605	3,900,000	2,482,506	1,174,840	333,487
Jonathan S. Halkyard, Executive Vice President and Chief Financial Officer	700,000	629,808	663,900	247,515	555,000	356,250	24,403	32,427
Thomas M. Jenkin, President of Operations	1,200,000	1,026,892	1,487,311	654,173	1,350,000	523,725	32,046	95,949
John W. R. Payne, President of Enterprise Shared Services	1,063,077	1,026,892	1,267,120	654,173	923,056	523,725	36,086	95,949
Mary H. Thomas, Executive Vice President, Human Resources	509,615	392,097	756,992	253,025	539,062	497,963	15,826	— ⁽¹⁾

⁽¹⁾ Data not available.

Mr. Loveman's base salary is above the median and is a reflection of our position as one of the world's largest gaming companies. Additionally, several of Mr. Loveman's peers are significant shareholders of their respective companies and, therefore, choose to receive a reduced base salary; this does not apply to Mr. Loveman. With respect to options awarded, we awarded one-time "mega-grants" in 2008 following the Acquisition. These grants were intended as a five year equivalent grant value, as opposed to our prior practice of annual option grants. In 2011, we supplemented these grants, as more fully described above. Also in 2011, options were amended as described in "2011 Amendments to Equity Plan and Supplemental Grants-Stock Option Re-Pricing" below, to reduce the exercise price of the outstanding 1.5X performance-based options to \$20.09 per share and of outstanding time-based options to \$20.09, with the reduced exercise price of the time-based options being phased in between a four to six year period, depending on the grant date and the price. The Option Awards figures in the above table reflect these two events. With respect to non-equity incentive plan compensation, our 2009 Senior Executive Incentive Plan is a discretionary program based on our financial performance. Bonus amounts are determined at the sole discretion of the HRC. With respect to all other compensation, costs above peer group median are related to the costs of Mr. Loveman's personal security, aircraft usage and hotel lodging expense while in Las Vegas. See Note 5 of "-Summary Compensation Table."

Messrs. Halkyard's, Jenkin's and Payne's and Ms. Thomas' base salaries are in line with their peer group median, but where above is a reflection of our position as one of the world's largest gaming companies. With respect to options awarded, we awarded one-time "mega-grants" in 2008 following the Acquisition. These grants were intended as a five year equivalent grant value, as opposed to our prior practice of annual option grants. In 2011, we supplemented these grants. Also in 2011, options were amended as described in "2011 Amendments to Equity Plan and Supplemental Grants-Stock Option Re-Pricing" below, to reduce the exercise price of the outstanding 1.5X performance-based options to \$20.09 per share and of outstanding time-based options to \$20.09, with the reduced exercise price of the time-based options being phased in between a four to six year period, depending on the grant date and the price. The Option Awards figures in the above table reflect these two events. With respect to non-equity incentive plan compensation, our 2009 Senior Executive Incentive Plan (for Mr. Halkyard and Ms. Thomas) is a discretionary program based on our financial performance, and the Annual Management Bonus Plan (for Messrs. Jenkin and Payne) is a discretionary program based on our financial performance, corporate expenses and customer service improvement. Bonus amounts are determined at the sole discretion of the HRC, with input from the Chief Executive Officer.

Base Salary

Salaries are reviewed each year and increases, if any, are based primarily on an executive's accomplishment of various performance objectives and salaries of executives holding similar positions within the peer group, or within our company. Adjustments in base salary may be attributed to one of the following:

- Merit: increases in base salary as a reward for meeting or exceeding objectives during a review period. The size of the increase is directly tied to pre-defined and weighted objectives (qualitative and quantitative) set forth at the onset of the review period. The greater the achievement in comparison to the goals, generally, the greater the increase.
- Market: increases in base salary as a result of a competitive market analysis, or in coordination with a long term plan to pay a position at a more competitive level.
- Promotional: increases in base salary as a result of increased responsibilities associated with a change in position.
- Additional Responsibilities: increases in base salary as a result of additional duties, responsibilities, or organizational change. A promotion may be, but is not necessarily, involved.
- Retention: increases in base salary as a result of a senior executive's being recruited by or offered a position by another employer.

All of the above reasons for base salary adjustments for senior executives must be approved by the HRC and are not guaranteed as a matter of practice or in policy.

Our Chief Executive Officer did not receive an increase in base salary in 2011 due to the general economic environment. In February 2009, we implemented a 5% reduction in base salary for management employees, including the NEOs. Effective January 1, 2010, the 5% base salary reduction was revoked for management employees, with the exception of members of senior management, including the NEOs. In July 2010, the HRC retracted the 5% salary reduction in place for members of our senior management, including the NEOs, with the exception of our Chief Executive Officer. In 2011, the HRC approved increases for Mr. Payne for taking on additional responsibilities and for Ms. Thomas as a merit increase.

2009 Senior Executive Incentive Plan

In December 2008, the Harrah's Entertainment, Inc. 2009 Senior Executive Incentive Plan was approved by the HRC and our sole voting stockholder, to be effective January 1, 2009. The awards granted pursuant to the Senior Executive Incentive Plan are intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended. Eligibility to participate in the Senior Executive Incentive Plan is limited to senior executives of Caesars and its subsidiaries who are or at some future date may be, subject to Section 16 of the Securities Exchange Act of 1934, as amended. The 162(m) Plan Committee selected the Senior Executive Incentive Plan participants for 2011 in February 2011. In February 2011, the Senior Executive Incentive Plan's performance goals are based upon our EBITDA. The 162(m) Plan Committee set the bonus target for each participant of the Senior Executive Incentive Plan at 0.5% of the Company's EBITDA for 2011. Subject to the foregoing and to the maximum award limitations, no awards will be paid for any period unless we achieve positive EBITDA.

Messrs. Loveman and Halkyard, Ms. Thomas and certain other executive officers participated in the Senior Executive Incentive Plan for the year 2011. As noted above, the 162(m) Plan Committee has authority to reduce bonuses earned under the Senior Executive Incentive Plan and also has authority to approve bonuses outside of the Senior Executive Incentive Plan to reward executives for special personal achievement.

It has been the 162(m) Plan Committee's practice to decrease the bonus target of 0.5% of EBITDA by reference to the achieved performance goals and bonus formulas used under the Annual Management Bonus Plan discussed below.

Senior Executive Incentive Plan bonuses were awarded to our eligible NEOs in 2012 for 2011 performance. See the Summary Compensation Table.

Annual Management Bonus Plan

The Annual Management Bonus Plan (the "Bonus Plan") provides the opportunity for our senior executives and other participants to earn an annual bonus payment based on meeting corporate financial and non-financial goals. These goals are set at the beginning of each fiscal year by the HRC. Beginning in 2009, the HRC approved a change to the Bonus Plan that allowed the HRC to revise financial goals on a semi-annual basis if external economic conditions indicated that the original goals did not correctly anticipate movements of the broader economy. Under the Bonus Plan, the goals can pertain to operating income, pre-tax earnings, return on sales, earnings per share, a combination of objectives, or another objective approved by the HRC. For

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Messrs. Jenkin and Payne, who participated in the Bonus Plan for 2011, the objectives also include Adjusted EBITDA, customer satisfaction and growth of cross property play for their respective divisions. The goals may change annually to support our short or long-term business objectives. For the 2011 plan year, the Bonus Plan's goal consisted of a combination of Adjusted EBITDA, corporate expense, and customer satisfaction improvement. Although officers that participated in the Senior Executive Incentive Plan during 2011 do not participate in the Bonus Plan, goals are set for all officers under this plan. The measurement used to gauge the attainment of these goals is called the "corporate score."

For 2011, financial goals are comprised of these separate measures, representing up to 90% of the corporate score.

- EBITDA is a common measure of company performance in the gaming industry and as a basis for valuation of gaming companies and, in the case of Adjusted EBITDA, as a measure of compliance with certain debt covenants. Adjusted EBITDA comprised 70% of the corporate score for 2011, and the target was set at \$1,987 million for 2011.
- Corporate Expense: In the current economic environment, it is important for us to manage expenses. Corporate expense, prior to the allocation of expenses to our operations, comprised 20% of the corporate score for 2011, and the target was set at \$459 million for 2011. The figure used for this corporate expense target is not a GAAP financial measure and does not correspond to the corporate expense line item in our financial statements.

Non-financial goals consist of one key measurement: customer satisfaction. We believe we distinguish ourselves from competitors by providing excellent customer service. Supporting our property team members who have daily interaction with our external customers is critical to maintaining and improving guest service. Customer satisfaction is measured by surveys of our loyalty program ("Total Rewards") customers taken by a third party. These surveys are taken weekly across a broad spectrum of customers. Customers are asked to rate our casinos' performance using a simple A-B-C-D-F rating scale. The survey questions focus on friendly/helpful and wait time in key operating areas, such as beverage service, slot services, Total Rewards, cashier services and hotel operation services. Each of our casino properties works against an annual baseline defined by a composite of their performance in these key operating areas from previous years. Customer satisfaction comprised 10% of the corporate score for 2011, and the target was set at a 3% change from non-A to A scores for 2011.

Bonus plan payments would not be paid if Adjusted EBITDA was less than 90% of target, if corporate expense exceeded 10% or more of target or if there was less than a one percent shift in non-A to A customer satisfaction scores.

After the corporate score has been determined, a bonus matrix approved by the HRC provides for bonus amounts of participating executive officers and other participants that will result in the payment of a specified percentage of the participant's salary if the target objective is achieved. This percentage of salary is adjusted upward or downward based upon the level of corporate score achievement.

After the end of the fiscal year, the Chief Executive Officer assesses our performance against the financial and customer satisfaction targets set by the HRC. Taking into account our performance against the targets set by the HRC, the Chief Executive Officer will develop and recommend a performance score of 0 to 1.5 to the HRC.

The HRC has the authority under the Bonus Plan to adjust any goal or bonus points with respect to executive officers, including no payment under the Bonus Plan. These decisions are subjective and based generally on a review of the circumstances affecting results to determine if any events were unusual or unforeseen.

The 2011 corporate score of 95 was approved by the HRC in February 2012. Divisional Presidents may earn bonuses based on the performance of the properties in their divisions — see Summary Compensation Table.

In February 2011, the HRC approved a change to the Bonus Plan to include a cross market play component for non-corporate employees, including Messrs. Jenkin and Payne.

In February 2011, the HRC approved raising the corporate score ceiling from a maximum of 150 points at 110% of EBITDA plan performance to 200 points at 120% of EBITDA plan performance. This change was made to reward management with increased bonus opportunity for an extraordinary performance against plan. As a result of the change, management could receive a maximum of up to three times their target bonus percentage of annual salary if maximum points are achieved under the Bonus Plan.

Messrs. Jenkin and Payne participated in the Bonus Plan for the year 2011. Bonuses under the Bonus Plan were awarded to Messrs. Jenkin and Payne by the HRC in February 2012. In addition, as noted above, under the Senior Executive Incentive Plan, performance goals for Messrs. Loveman and Halkyard and Ms. Thomas were assessed by the HRC for 2011 in February 2012 and the 162(m) Plan Committee reviewed the HRC's assessments for purposes of setting bonuses under the Senior Executive Incentive Plan.

In February 2012, the HRC approved changes to the Bonus Plan, eliminating the corporate expense component for 2012.

Cross Market Bonus Plan

In February 2011, the HRC approved a new incentive plan for all management (including the NEOs) designed to promote cooperation between our properties to increase customer visitation across our properties. The Cross Market Bonus Plan is intended as a supplement to the Bonus Plan for 2011, and is applicable only to employees who do not earn a bonus under the Bonus Plan. Each of our properties has a cross market target equivalent to the cross market target component of the Bonus Plan applicable to non-corporate employees, including Messrs. Jenkin and Payne. However, while the cross market component of the Bonus Plan is subject to the achievement of minimum EBITDA plan results, the Cross Market Bonus Plan is independent of financial results at properties. The combined intent of the Bonus Plan and the Cross Market Bonus Plan was to provide management with incentive to promote cross market play across our entire company, irrespective of property financial performance. In February 2012, the HRC decided not to renew the plan for 2012.

Customer Service Jackpot Plan

In February 2011, the HRC approved a new incentive plan for all management (including the NEOs) designed to incent greatly enhanced performance against our customer service metric. The Customer Service Jackpot functions as a supplement to the Bonus Plan in 2011, and is measured against the same customer service metric as the Bonus Plan. In order to qualify for an award under the Customer Service Jackpot, a property must have a minimum positive shift of non-A to A customer scores of 6.0%, which is double the shift that earns the maximum customer service bonus points in the Bonus Plan, and we consider the Customer Service Jackpot to be an award for the achievement of two year's worth of maximum service performance in a single year. Payout of the Customer Service Jackpot is targeted at 5% of an employee's base salary for all management.

Corporate Expense Jackpot Plan

In February 2011, the HRC approved a new incentive plan for all corporate management (including the NEOs) designed to incent our corporate employees to pursue aggressive cost savings. The Corporate Expense Jackpot functions as a supplement to the Bonus Plan, and is measured against the same corporate expense metric as in the Bonus Plan for corporate employees. In order to qualify for an award under the Corporate Expense Jackpot, the final corporate expense figure for 2011 must come in 13% below the target corporate expense figure for 2011. We consider cost savings to be an integral objective in 2011, and believes the Corporate Expense Jackpot incents our corporate employees to be aggressive in order to reach this greatly enhanced savings target. Payout of the Corporate Expense Jackpot is targeted at 5% of an employee's base salary for all management. In February 2012, the HRC decided not to renew the plan for 2012.

Revenue Growth Incentive Plan

In February 2010, the HRC approved a new medium-term Revenue Growth Incentive Plan, or RGIP, for certain members of management (including the NEOs) designed to promote incremental revenue growth over a two year period (beginning on January 1, 2010) and bridge the gap between our current compensation (salary, bonus, benefits) and longer-term compensation offering ("equity plan"). The RGIP is intended as a special, one-time bonus program for the purpose of promoting top-line revenue growth in excess of our currently forecasted revenue growth over the two year bonus period. The HRC believes that after several years of promoting cost cutting it is now an appropriate time to focus on revenue growth. The RGIP will also provide a liquid medium-term incentive program, as it will allow management and NEOs the ability to earn cash in the medium-term, as opposed to our equity plan which is longer term and currently not liquid.

Senior executives and other management employees are eligible to participate in the RGIP; payments will be determined and paid in early 2013. Payout of the RGIP is contingent on achievement of revenue growth at distinct thresholds above current forecasts. To ensure the RGIP is a value added program, payout of the bonus is also subject to the meeting of a minimum EBITDA margin threshold equal to or greater than the final consolidated EBITDA margin for the 2009 calendar year.

For 2010 and 2011, the sole goal of the RGIP is growth in revenue above the rate forecasted by our company. Incremental Revenue Growth is defined as an increase in the percentage of revenue growth year over year above the growth rate forecasted by our company. For the RGIP, payout levels of the bonus have been set at three incremental growth thresholds: 0.75%, 1.0% and 1.5% incremental revenue growth. These thresholds were set by looking at past growth rates and also our current five year predictions.

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Achievement of 0.75% incremental revenue growth over the bonus period results in a payout of the RGIP at the target payout rate. The 1.0% and 1.5% incremental growth levels are “stretch” goals for the program and result in payouts at a premium percentage above the target payout. For our senior executives and officers the payout premiums are 125% and 150% of annual salary, respectively.

Subject to the discretion of the HRC, the revenue goals of the RGIP program will be subject to adjustment based on changes in the general economy. The plan review will occur in a manner similar to that included as part of the Annual Management Bonus Plan in which both positive and negative changes in the economy are taken into account. The HRC will have the final determination on the financial goals, and any changes to such goals, under the RGIP.

In July 2010, the HRC determined to modify the time period for the RGIP. The RGIP has been shifted forward six months, and will now run during the two year period from July 1, 2010 through June 30, 2012. The HRC determined to shift the RGIP forward by six months because (a) the plan was not rolled out to employees until March 2010 and (b) the continuing economic downturn in the gaming industry in the first half of 2010.

Project Renewal Incentive Plan

In 2011, the HRC adopted the Project Renewal Incentive Plan, or PRIP, a plan designed to incent our leadership to undertake the cost savings initiatives proposed as part of a comprehensive program to streamline our operations that was launched in the fourth quarter of 2010. PRIP expires on March 1, 2013.

PRIP provides payouts when pre-determined cumulative, run rate savings milestones are achieved and maintained for at least three consecutive months, as certified by the HRC. PRIP includes four savings milestones in the amounts of \$100 million, \$200 million, \$300 million and \$400 million. Payout under PRIP is further subject to the maintenance of a minimum EBITDA threshold per \$100 million of cost savings to ensure that actual savings flow through to EBITDA.

The maximum payout any participant can receive based on achieving each of the four savings milestones is equal to two times the participant’s annual bonus target. Upon achievement (and maintenance) of each of (i) the first and second savings milestones (\$100 million and \$200 million, respectively) 33% of the annual bonus target is payable, and (ii) the third and fourth milestones (\$300 million and \$400 million, respectively) 67% of the annual bonus target is paid. Participants must be employed as of the day bonuses are paid in order to be eligible to receive payment.

The HRC approved that the first \$100 million run rate savings milestone has been achieved, sustained for at least three months, and that the EBITDA governor has been achieved as well. Accordingly, on July 27, 2011, the HRC approved the payout for the first milestone, aggregating \$7.75 million for all eligible employees, including our NEOs, who received the following amounts pursuant to the Plan and as approved by the HRC: Gary W. Loveman \$1,000,000; Thomas M. Jenkin \$300,000; John W. R. Payne \$256,250; Jonathan S. Halkyard \$155,000; and Mary H. Thomas \$125,962. See “—Summary Compensation Table” for additional information.

The Senior Executive Incentive Plan, the Bonus Plan, the Cross Market Bonus Plan, the Customer Service Jackpot Plan, the Corporate Expense Jackpot Plan, the Revenue Growth Incentive Plan and the Project Renewal Incentive Plan are discretionary, including making no payments under the plans. As indicated above, the Cross Market Bonus Plan and the Corporate Expense Jackpot Plan are no longer in effect for 2012.

Equity Awards

Equity Plan

In February 2008, the Board approved and adopted the Harrah’s Entertainment Management Equity Incentive Plan, or the Equity Plan. The purpose of the Equity Plan is to promote our long term financial interests and growth by attracting and retaining management and other personnel and key service providers with the training, experience and ability to enable them to make a substantial contribution to the success of our business; to motivate management personnel by means of growth-related incentives to achieve long range goals; and to further the alignment of interests of participants with those of our stockholders. Except for options awarded under a predecessor plan that were rolled over into the Company by Mr. Loveman, all awards under prior plans were exchanged in the Acquisition.

The Equity Plan provides for the grant of awards that will vest based on continued service only (“time-based options”) and those that also require attainment of performance criteria (“performance-based options”). The performance-based options vest based on investment return to our stockholders following the Acquisition. Originally, one-half of the performance based options become eligible to vest upon the stockholders receiving cash proceeds equal to two times their amount invested in the Acquisition, (the “2X options”), and one-half of the performance-based options become eligible to vest upon the stockholders receiving cash proceeds equal to three times their amount invested, (the “3X options”).

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The combination of time and performance based vesting of the options is designed to compensate executives for long term commitment to us, while motivating sustained increases in our financial performance and helping ensure the stockholders have received an appropriate return on their invested capital.

Amendments to Equity Plan and Supplemental Grants

On February 23, 2010, the HRC adopted an amendment to the Equity Plan. The amendment provided for an increase in the available number of shares of common stock for which options may be granted up to 7,955,573 shares.

The amendment also revised the vesting hurdles for performance-based options under the Equity Plan. Previously, performance-based options vested upon a 2X return and upon a 3X return. The triggers were revised to 1.5X and 2.5X, respectively. In addition, a pro rata portion of the 2.5X options will vest if funds affiliated with the Sponsors achieve a return on their investment that is greater than 2.0X, but less than 2.5X. The pro rata portion will increase on a straight line basis from zero to a participant's total number of 2.5X options depending upon the level of returns that funds affiliated with the Sponsors realize between 2.0X and 2.5X.

In addition, in March 2010, the HRC approved supplemental equity grants for all of the NEOs and certain other management in an effort to enhance the value of grants under the Equity Plan. The supplemental grants contained solely time-vested options, vesting over 5 years; however, there is no vesting until after the 2nd anniversary from the grant date, and thereafter the options vest at 25% per year.

In March 2010, the HRC approved the following supplemental grants to the NEOs:

<u>Executive</u>	<u>Number of Shares of Time Based Options</u>	<u>Number of Shares of Performance Based Options</u>
Gary W. Loveman	797,833	—
Thomas M. Jenkin	141,411	—
John W. R. Payne	89,717	—
Jonathan S. Halkyard	92,921	—
Mary H. Thomas	30,803	—

2011 Amendments to Equity Plan and Supplemental Grants

Stock Option Re-Pricing

In July 2011, the HRC approved amendments to the Equity Plan and to outstanding stock options which were granted pursuant to the Equity Plan.

As a result of the July 2011 amendments, 2.5X performance-based options were revised to 2.0X, and if the Sponsors and their co-investors realize a return of less than 2.0X but equal to or greater than 1.75X, a pro rata portion of such performance-based options will vest based on straight line interpolation.

In addition, the exercise price for all outstanding time-based options was reduced to \$20.09 per share, with the reduced exercise price being phased in between a four to six year period, depending on grant date, as set forth in each individual award agreement. Prior to the phase in, any vested options may still be exercised at the original exercise price, subject to the terms of the Equity Plan. The exercise price of outstanding 1.5X performance-based options was also reduced to \$20.09 per share. The exercise price for the outstanding 2.5X, now 2.0X, performance options was not reduced to \$20.09 per share.

The stock option re-pricing and the reduction of the vesting hurdles for performance-based options were intended to strengthen employee retention and provide our NEOs with equity based compensation in line with their peer group.

2011 Supplemental Grant

In 2011, we engaged Aon Hewitt to review equity compensation practices at a broad range of companies of similar size and geographic scope. This review indicated that realizable grant values to our senior executives over the period of 2008-2015 were expected to significantly lag behind our peers. In order to mitigate this difference and ensure employee retention, Management recommended to the HRC a supplemental option grant to a select group of employees, including the NEOs.

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On November 29, 2011, the HRC approved an amendment to our Management Equity Incentive Plan providing for an increase in the number of shares of our common stock for which time-based options may be granted from 5,516,446 to 6,143,749, which in turn increased the number of shares under the Plan from 7,955,573 to 8,582,876.

In addition, in November 2011 the HRC approved supplemental equity grants for all of the NEOs and certain other key members of senior leadership. Except for the CEO, the supplemental grants contained solely time-vested options, vesting over 4 years; Mr. Loveman's supplemental grant included time-vested options, vesting over 4 years, and performance-based options with a 1X vesting hurdle.

The size of the supplemental grants was intended to provide our NEOs with equity based compensation in line with their peer group. Specifically, for each NEO the supplemental grant was determined by using a participant's then-current total option value and increasing the total to meet the 2008-2015 benchmark value developed by our human resources executives in conjunction with Aon Hewitt. In some cases, individual performance was also taken into account.

In November 2011, the HRC approved the following supplemental grants to the NEOs:

<u>Executive</u>	<u>Number of Shares of Time Based Options</u>	<u>Number of Shares of Performance Based Options ⁽¹⁾</u>
Gary W. Loveman	580,667	290,334
Thomas M. Jenkin	66,359	—
John W. R. Payne	68,635	—
Jonathan S. Halkyard	8,710	—
Mary H. Thomas	55,711	—

- (1) These performance options vest if TPG and Apollo Global Management, LLC and its affiliates achieve the return of capital invested in the Company at a \$57.41 stock price.

Employment Agreements

We have entered into employment agreements with each of our NEOs. The HRC and the Board put these agreements in place in order to attract and retain the highest quality executives. At least annually, our compensation department reviews our termination and change in control arrangements against peer companies as part of its review of our overall compensation package for executives to ensure that it is competitive. The compensation department's analysis is performed by reviewing each of our executives under several factors, including the individual's role in the organization, the importance of the individual to the organization, the ability to replace the executive if he/she were to leave the organization, and the level of competitiveness in the marketplace to replace an executive while minimizing the affect to our on-going business. The compensation department presents its assessment to the HRC for feedback. The HRC reviews the information and determines if changes are necessary to the termination and severance packages of our executives.

Policy Concerning Tax Deductibility

The HRC's policy with respect to qualifying compensation paid to its executive officers for tax deductibility purposes is that executive compensation plans will generally be designed and implemented to maximize tax deductibility. However, non-deductible compensation may be paid to executive officers when necessary for competitive reasons or to attract or retain a key executive, or where achieving maximum tax deductibility would be considered disadvantageous to our best interests. Our Senior Executive Incentive Plan is designed to comply with Section 162(m) of the Internal Revenue Code so that annual bonuses paid under these plans, if any, will be eligible for deduction by us. See "-Senior Executive Incentive Plan."

Stock Ownership Requirements

As a company that only recently listed its equity securities on NASDAQ, we do not have a policy regarding stock ownership.

Chief Executive Officer's Compensation

The objectives of our Chief Executive Officer are approved annually by the HRC. These objectives are revisited each year. The objectives for 2011 were to:

- achieve 2011 Plan revenue, cash flow margin and liquidity, and generally position the company to benefit from a rebound;

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- optimize capital structure;
- establish a casino, online and non-gaming presence in Asia;
- develop the company as the leader online for rake and “for fun” gaming;
- stimulate Las Vegas growth and Atlantic City revitalization; and
- develop, motivate and incent our employees.

The HRC’s assessment of the Chief Executive Officer’s performance is based on a subjective or objective review (as applicable) of performance against these objectives. Specific weights may be assigned to particular objectives at the discretion of the HRC, and those weightings, or more focused objectives, are communicated to the Chief Executive Officer at the time the goals are set forth. However, no specific weights were set against the Chief Executive Officer’s objectives in 2011.

As Chief Executive Officer, Mr. Loveman’s base salary was based on his performance, his responsibilities and the compensation levels for comparable positions in other companies in the hospitality, gaming, entertainment, restaurant and retail industries. Merit increases in his salary are a subjective determination by the HRC, which bases its decision upon his prior year’s performance versus his objectives as well as upon an analysis of competitive salaries. Although base salary increases are subjective, the HRC reviews Mr. Loveman’s base salary against peer groups, his roles and responsibilities within the company, his contribution to our success and his individual performance against his stated objective criteria.

The 162(m) Plan Committee used the Senior Executive Incentive Plan to determine the Chief Executive Officer’s bonus for 2011. Under this plan, bonus target is set as a percentage of EBITDA, as more fully described above. The 162(m) Plan Committee has discretion to reduce bonuses (as permitted by Section 162(m) of the Internal Revenue Code), and it is the normal practice of the 162(m) Plan Committee to reduce the Chief Executive Officer’s bonus by reference to the achievement of performance goals and bonus formulas used under the Annual Management Bonus Plan. In February 2012, the 162(m) Plan Committee made the determination to award a bonus to the Chief Executive Officer for 2011 performance. See “-Summary Compensation Table.”

Mr. Loveman’s salary, bonus and equity awards differ from those of our other named executive officers in order to (a) keep Mr. Loveman’s compensation in line with Chief Executive Officer’s of other gaming, hotel and lodging companies, as well as other consumer oriented companies, (b) compensate him for the role as the leader and public face of our company and (c) compensate him for attracting and retaining our senior executive team.

Personal Benefits and Perquisites

During 2011, all of our NEOs received a financial counseling reimbursement benefit, and were eligible to participate in our deferred compensation plan, the Executive Supplemental Savings Plan II, or ESSP II, and our health and welfare benefit plans, including the Caesars Savings and Retirement Plan, or S&RP. In previous years, the NEOs also received matching amounts from us pursuant to the plan documents, which are the same percentages of salary for all employees eligible for these plans. However, in February 2009, Company matching was suspended for the S&RP and ESSP II. A modified matching program with a \$600 annual cap was approved by the HRC in November 2011 and will be reinstated for the S&RP exclusively in April 2012.

Additionally, we provided for Mr. Loveman’s personal use of company aircraft at certain times during 2011. Lodging and certain other expenses were incurred by Mr. Loveman for use during his Las Vegas-based residence. We also provided security for Mr. Loveman and his family. The decision to provide Mr. Loveman with the personal security benefit was prompted by the results of an analysis provided by an independent professional consulting firm specializing in executive safety and security. Based on these results, the HRC approved personal security services to Mr. Loveman and his family.

These perquisites are more fully described in “-Summary Compensation Table.”

Our use of perquisites as an element of compensation is limited. We do not view perquisites as a significant element of our comprehensive compensation structure, but we do believe that they can be used in conjunction with base salary to attract, motivate and retain individuals in a competitive environment.

Under our group life insurance program, senior executives, including the NEOs, are eligible for an employer provided life insurance benefit equal to three times their base annual salary, with a maximum benefit of \$5.0 million. Mr. Loveman is provided with a life insurance benefit of \$3.5 million under our group life insurance program and additional life insurance policies with a benefit of \$2.5 million. In addition to group long term disability benefits, which are available to all benefits eligible employees, the Chief Executive Officer and all other NEOs are covered under a Company-paid individual long-term disability insurance policy paying an additional \$5,000 monthly benefit and Mr. Loveman receives a supplemental short-term disability policy with a \$10,000 monthly benefit.

Elements of Post-Employment Compensation and Benefits

Employment Arrangements

Chief Executive Officer. Mr. Loveman entered into an employment agreement on January 28, 2008 (as amended to date), which provides that Mr. Loveman will serve as Chief Executive Officer and President until January 28, 2013, and the agreement shall extend for additional one year terms thereafter unless terminated by us or Mr. Loveman at least 60 days prior to each anniversary thereafter. Additionally, pursuant to the agreement, Mr. Loveman received a grant of stock options pursuant to the Equity Plan (described above). Mr. Loveman's annual salary is \$2,000,000, subject to annual merit reviews by the HRC. In February 2009, Mr. Loveman agreed to reduce his salary to \$1,900,000 as part of a broader management reduction of salaries, and despite the retraction of the reduction of base salary for the other NEOs in July 2010, Mr. Loveman's annual salary remains at \$1,900,000.

Pursuant to his employment agreement, Mr. Loveman is entitled to participate in the annual incentive bonus compensation programs with a minimum target bonus of 1.5 times his annual salary. In addition, the agreement entitles Mr. Loveman to an individual long-term disability policy with a \$180,000 annual maximum benefit and an individual long term disability excess policy with an additional \$540,000 annual maximum benefit, subject to insurability.

Mr. Loveman is also entitled to life insurance with a death benefit of at least three times the greater of his base annual salary and \$2,000,000. In addition, Mr. Loveman is entitled to financial counseling reimbursed by us, up to \$50,000 per year. The agreement also requires Mr. Loveman, for security purposes, to use our aircraft, or other private aircraft, for himself and his family for business and personal travel. The agreement also provides that Mr. Loveman will be provided with accommodations while performing his duties in Las Vegas, and we will also pay Mr. Loveman a gross-up payment for any taxes incurred for such accommodations. Our Board can terminate the employment agreement with or without cause, and Mr. Loveman can resign, at any time.

If we terminate the agreement without Cause, or if Mr. Loveman resigns for Good Reason:

- Mr. Loveman will be paid, in equal installments over a 24 month period, two times the greater of his base annual salary and \$2,000,000 plus his target bonus;
- Mr. Loveman will continue to have the right to participate in our benefit plans (other than bonus and long-term incentive plans) for a period of two years beginning on the date of termination; and
- his pro-rated bonus (at target) for the year of termination.

"Cause" is defined under the agreement as:

- (i) the willful failure of Mr. Loveman to substantially perform his duties with us or to follow a lawful reasonable directive from our Board (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Mr. Loveman by our Board which specifically identifies the manner in which our Board believes that Mr. Loveman has willfully not substantially performed his duties or has willfully failed to follow a lawful reasonable directive and Mr. Loveman is given a reasonable opportunity (not to exceed thirty (30) days) to cure any such failure, if curable.
- (ii) (a) any willful act of fraud, or embezzlement or theft by Mr. Loveman, in each case, in connection with his duties under the employment agreement or in the course of his employment or (b) Mr. Loveman's admission in any court, or conviction of, or plea of nolo contendere to, a felony that could reasonably be expected to result in damage to our business or reputation.
- (iii) Mr. Loveman being found unsuitable for or having a gaming license denied or revoked by the gaming regulatory authorities in Arizona, California, Colorado, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Nevada, New Jersey, New York, or North Carolina.
- (iv) Mr. Loveman's willful and material violation of, or noncompliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes-Oxley Act of 2002, provided that such violation or noncompliance resulted in material economic harm to us, or (y) a final judicial order or determination prohibiting Mr. Loveman from service as an officer pursuant to the Securities and Exchange Act of 1934 or the rules of the New York Stock Exchange.

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“Good Reason” is defined under the agreement as: without Mr. Loveman’s express written consent, the occurrence of any of the following circumstances unless, in the case of paragraphs (a), (d), (e), (f), or (g), such circumstances are fully corrected prior to the date of termination specified in the written notice given by Mr. Loveman notifying us of his resignation for Good Reason:

- (a) The assignment to Mr. Loveman of any duties materially inconsistent with his status as our Chief Executive Officer or a material adverse alteration in the nature or status of his responsibilities, duties or authority;
- (b) The requirement that Mr. Loveman report to anyone other than our Board;
- (c) The failure of Mr. Loveman to be elected/re-elected as a member of our Board;
- (d) A reduction by us in Mr. Loveman’s annual base salary of \$2,000,000.00, as the same may be increased from time to time as approved by the HRC;
- (e) The relocation of our principal executive offices from Las Vegas, Nevada, to a location more than fifty (50) miles from such offices, or our requiring Mr. Loveman either: (i) to be based anywhere other than the location of our principal offices in Las Vegas (except for required travel on our business to an extent substantially consistent with Mr. Loveman’s present business travel obligations); or (ii) to relocate his primary residence from Boston to Las Vegas;
- (f) Our failure to pay to Mr. Loveman any material portion of his current compensation, except pursuant to a compensation deferral elected by Mr. Loveman, or to pay to Mr. Loveman any material portion of an installment of deferred compensation under any of our deferred compensation programs within thirty (30) days of the date such compensation is due;
- (g) Our failure to continue in effect compensation plans (and Mr. Loveman’s participation in such compensation plans) which provide benefits on an aggregate basis that are not materially less favorable, both in terms of the amount of benefits provided and the level of Mr. Loveman’s participation relative to other participants at Mr. Loveman’s grade level, to those in which Mr. Loveman is participating as of January 28, 2008;
- (h) Our failure to continue to provide Mr. Loveman with benefits substantially similar to those enjoyed by him under the Savings and Retirement Plan and the life insurance, medical, health and accident, and disability plans in which Mr. Loveman is participating as of January 28, 2008, the taking of any action by us which would directly or indirectly materially reduce any of such benefits or deprive Mr. Loveman of any material fringe benefit enjoyed by Mr. Loveman as of January 28, 2008, except as permitted by the employment agreement;
- (i) Delivery of a written Notice of our non-renewal of the employment agreement by us to Mr. Loveman; or
- (j) Our failure to obtain a satisfactory agreement from any successor to assume and agree to perform the employment agreement.

Mr. Loveman waived his right to terminate his employment agreement for Good Reason in connection with the 5% reduction of his base annual salary implemented in February 2009.

If we terminate the agreement for Cause or Mr. Loveman terminates without Good Reason, Mr. Loveman’s salary will end as of the termination date.

After his employment with us terminates for any reason, Mr. Loveman will be entitled to participate in our group health insurance plans applicable to corporate executives, including family coverage, for his lifetime. We will pay 80% of the premium on an after-tax basis for this coverage, and Mr. Loveman will incur imputed taxable income equal to the amount of our payment. When Mr. Loveman becomes eligible for Medicare coverage, our group health insurance plan will become secondary, and Mr. Loveman will be eligible for the same group health benefits as normally provided to our other retired management directors. He will incur imputed taxable income equal to the premium cost of this benefit.

If a change in control were to occur during the term of Mr. Loveman’s employment agreement, and his employment was terminated involuntarily or he resigned for Good Reason within two years after the change in control, or if his employment was involuntarily terminated within six months before the change in control by reason of the request of the buyer, Mr. Loveman would be entitled to receive the benefits described above under termination without cause by us or by Mr. Loveman for good

reason, except that (a) the multiplier would be three times (in lieu of two times) and (b) the payment would be in a lump sum (as opposed to over a 24 month period). In addition, if the payments are subject to a federal excise tax, or Excise Tax, imposed on Mr. Loveman, the employment agreement requires us to pay Mr. Loveman an additional amount, or the Gross-Up Payment, so that the net amount retained by Mr. Loveman after deduction of any Excise Tax on the change in control payments and all Excise Taxes and other taxes on the Gross-Up Payment, will equal the initial change in control payment, less normal taxes.

The agreement provides that Mr. Loveman will not compete with us or solicit employees to leave us above a certain grade level for a period of two years after termination of his active full time employment (which for this purpose does not include the salary continuation period).

Named Executive Officer Employment Arrangements

We also have employment agreements with our other NEOs and members of our senior management team, which provide for a base salary, subject to merit increases as the HRC may approve. We entered into employment agreements on February 28, 2008 with Jonathan S. Halkyard, Thomas M. Jenkin, John W. R. Payne and Mary H. Thomas. The agreements of Messrs. Jenkin, Halkyard, and Payne were renewed on January 4, 2012 and expire on January 4, 2016; the agreement with Ms. Thomas was renewed on January 31, 2011 and expires January 31, 2015. Below is a description of the material terms and conditions of these employment agreements.

The agreement with each of Messrs. Halkyard, Jenkin and Payne is for a term of four years beginning on January 4, 2012 and is automatically renewed for successive one year terms unless either we or the executive delivers a written notice of nonrenewal at least six (6) months prior to the end of the term. The agreement with Ms. Thomas is for a term of four years beginning January 31, 2011 and is automatically renewed for successive one year terms unless either we or the executive delivers a written notice of nonrenewal at least 60 days prior to the end of the term.

Pursuant to the employment agreements, the executives will receive base salaries as follows: Mr. Halkyard, \$700,000; Mr. Jenkin, \$1,200,000; Mr. Payne, \$1,125,000 and Ms. Thomas \$525,000. In addition to her salary, Ms. Thomas is eligible to receive a retention bonus if the terms of the bonus provision specified in her employment agreement are met and she is employed in her current position on the specified payment dates. Ms. Thomas received a retention payment of \$100,000 on February 15, 2011, and she is eligible to receive a bonus of \$100,000 on February 15, 2012 and a bonus of \$75,000 on February 15, 2013.

In February 2009, Messrs. Halkyard, Jenkin, and Payne agreed to reduce their respective base salaries by 5% as part of a broader management reduction of salaries. In August 2009, Mr. Halkyard was given a market based salary increase to \$700,000 and took a 5% reduction of that salary to \$665,000. In January 2010, Mr. Payne was given a market based salary increase to \$1,025,000 and took a 5% reduction of that salary to \$973,750. The 5% salary reductions were reinstated for each of the executives discussed above in July 2010. In July 2011, the HRC approved a salary increase for Mr. Payne from \$1,025,000 to \$1,125,000.

The HRC will review base salaries on an annual basis with a view towards merit increases (but not decreases) in such salary. In addition, each executive will participate in our annual incentive bonus program applicable to the executive's position and shall have the opportunity to earn an annual bonus based on the achievement of performance objectives.

Each NEO will be entitled to participate in benefits and perquisites at least as favorable to the executive as such benefits and perquisites currently available to the executives, group health insurance, long term disability benefits, life insurance, financial counseling, vacation, reimbursement of expenses, director and officer insurance and the ability to participate in our 401(k) plan. If (a) the executive attains age fifty (50) and, when added to his or her number of years of continuous service with us, including any period of salary continuation, the sum of his or her age and years of service equals or exceeds sixty-five (65), and at any time after the occurrence of both such events executive's employment is terminated and his or her employment then terminates either (1) without cause or (2) due to non-renewal of the agreement, or (b) the executive attains age fifty-five (55) and, when added to his or her number of years of continuous service with us, including any period of salary continuation, the sum of his or her age and years of service equals or exceeds sixty-five (65) and the executive's employment is terminated other than for cause, he or she will be entitled to lifetime coverage under our group health insurance plan. The executive will be required to pay 20% of the premium for this coverage and we will pay the remaining premium, which will be imputed taxable income to the executive. This insurance coverage terminates if the executive competes with us.

Upon a termination without cause (as defined in the employment agreement and set forth below), a resignation by the executive for good reason (as defined in the employment agreement and set forth below) or upon our delivery of a non-renewal notice, the executive shall be entitled to his or her accrued but unused vacation, unreimbursed business expenses and base salary earned but not paid through the date of termination. In addition, the executive will receive a cash severance payment equal to

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1.5 times his or her base salary payable in equal installments during the 18 months following such termination and pro-rated bonus for the year in which the termination occurs based on certain conditions. In the event that the executive's employment is terminated by reason of his or her disability, he or she will be entitled to apply for our long term disability benefits, and, if he or she is accepted for such benefits, he or she will receive 18 months of base salary continuation offset by any long term disability benefits to which he or she is entitled during such period of salary continuation. Furthermore, during the time that the executive receives his or her base salary during the period of salary continuation, he or she will be entitled to all benefits. Payment of any severance benefits is contingent upon the execution of a general release in favor of us and our affiliates.

"Cause" under the employment agreements is defined as:

- (i) the willful failure of executive to substantially perform executive's duties with us or to follow a lawful, reasonable directive from our Board or the Chief Executive Officer (the "CEO") or such other executive officer to whom executive reports (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to executive by our Board (or the CEO, as applicable) which specifically identifies the manner in which our Board (or the CEO, as applicable) believes that executive has willfully not substantially performed executive's duties or has willfully failed to follow a lawful, reasonable directive;
- (ii) any willful act of fraud, or embezzlement or theft, by executive, in each case, in connection with executive's duties hereunder or in the course of executive's employment hereunder or (B) executive's admission in any court, or conviction of, or plea of nolo contendere to, a felony;
- (iii) executive being found unsuitable for or having a gaming license denied or revoked by the gaming regulatory authorities in any jurisdiction in which we conduct gaming operations;
- (iv) executive's willful and material violation of, or noncompliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes-Oxley Act of 2002, provided that such violation or noncompliance resulted in material economic harm to us, or (B) a final judicial order or determination prohibiting executive from service as an officer pursuant to the Securities and Exchange Act of 1934 or the rules of the NYSE; or
- (v) a willful breach by the executive of non competition provisions or confidentiality provisions of the agreement.

For purposes of definition, no act or failure to act on the part of executive, shall be considered "willful" unless it is done, or omitted to be done, by executive in bad faith and without reasonable belief that executive's action or omission was in our best interests. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by our Board or based upon the advice of our counsel shall be conclusively presumed to be done, or omitted to be done, by executive in good faith and in our best interests of our Company. The cessation of employment of the executive shall not be deemed to be for Cause unless and until executive has been provided with written notice of the claim(s) against him or her under the above provision(s) and a reasonable opportunity (not to exceed thirty (30) days) to cure, if possible, and to contest said claim(s) before our Board.

"Good Reason" under the employment agreements is defined as:

The occurrence, without executive's express written consent, of any of the following circumstances unless such circumstances are fully corrected prior to the date of termination specified in the written notice given by executive notifying us of his or her intention to terminate his or her Employment for Good Reason:

- (a) A reduction by us in executive's annual base salary, other than a reduction in base salary that applies to a similarly situated class of our employees or our affiliates;
- (b) Any material diminution in the duties or responsibilities of executive as of the date of the employment agreement; provided that a change in control of the company that results in our becoming part of a larger organization will not, in and of itself and unaccompanied by any material diminution in the duties or responsibilities of the executive, constitute Good Reason;
- (c) Our failure to pay or provide to the executive any material portion of his or her then current Base Salary or then current benefits under the employment agreement (except pursuant to a compensation deferral elected by the executive) or (ii) the failure to pay executive any material portion of deferred compensation under any of our deferred compensation programs within thirty (30) days of the date such compensation is due and permitted to be paid under Section 409A of the Code, in each case other than any such failure that results from a modification to any compensation arrangement or benefit plan that is generally applicable to similarly situated officers;

- (d) Our requiring executive to be based anywhere other than Atlantic City, New Orleans or Las Vegas, depending on the NEO (except for required travel on company business to an extent substantially consistent with the executive's present business travel obligations); or
- (e) Our failure to obtain a satisfactory agreement from any successor to assume and agree to perform the employment agreement.

The executives each have covenants to not compete, not to solicit and not to engage in communication in a manner that is detrimental to the business. The executive's "non-compete period" varies based on the type of termination that the executive has. If the executive has a voluntary termination of employment with us without Good Reason, the non-compete period is six months. If we have terminated the executive's employment without cause, or the executive has terminated for Good Reason, we have delivered a notice of non-renewal to the executive or if the executive's employment terminates by reason of disability, the non-compete period is for 18 months. If the executive's employment is terminated for cause, the non-compete period is for six months. The non-solicitation and non-communication periods last for 18 months following termination. A breach of the non-compete covenant will cause our obligations under the agreement to terminate. In addition, the executives each have confidentiality obligations.

Deferred Compensation Plans

We have one deferred compensation plan, the Executive Supplemental Savings Plan II, or ESSP II, currently active, although there are five other plans that contain deferred compensation assets: Harrah's Executive Deferred Compensation Plan, or EDCP, the Harrah's Executive Supplemental Savings Plan, or ESSP, Harrah's Deferred Compensation Plan, or DCP, the Restated Park Place Entertainment Corporation Executive Deferred Compensation Plan, and the Caesars World, Inc. Executive Security Plan.

Further deferrals into the EDCP were terminated in 2001 when the HRC approved the ESSP, which permitted certain key employees, including executive officers, to make deferrals of specified percentages of salary and bonus. No deferrals were allowed after December 2004 into ESSP, and we approved the ESSP II, which complies with the American Jobs Creation Act of 2004 and allowed deferrals starting in 2005. ESSP II, similar to ESSP, allows participants to choose from a selection of varied investment alternatives and the results of these investments will be reflected in their deferral accounts. To assure payment of these deferrals, a trust fund was established similar to the escrow fund for the EDCP. The trust fund is funded to match the various types of investments selected by participants for their deferrals.

ESSP and ESSP II do not provide a fixed interest rate, as the EDCP and DCP do, and therefore the market risk of plan investments is borne by participants rather than us. To encourage EDCP participants to transfer their account balances to the ESSP thereby reducing our market risk, we approved a program in 2001 that provided incentives to a limited number of participants to transfer their EDCP account balances to the ESSP. Under this program, a currently employed EDCP participant who was five or more years away from becoming vested in the EDCP retirement rate, including any executive officers who were in this group, received an enhancement in his or her account balance if the participant elected to transfer the account balance to the ESSP. The initial enhancement was the greater of (a) twice the difference between the participant's termination account balance and retirement account balance, (b) 40% of the termination account balance, not to exceed \$100,000, or (c) four times the termination account balance not to exceed \$10,000. Upon achieving eligibility for the EDCP retirement rate (age 55 and 10 years of service), the participant electing this program will receive an additional enhancement equal to 50% of the initial enhancement. Pursuant to the ESSP, the additional enhancement vested upon the closing of the Acquisition. Mr. Loveman elected to participate in this enhancement program, and therefore no longer has an account in the EDCP.

Mr. Jenkin maintained a balance in the EDCP during 2011. Under the EDCP, the executive earns the retirement rate under the EDCP if he attains (1) specified age and service requirements (55 years of age plus 10 years of service or 60 years of age) or (2) attains specified age and service requirements (is at least 50 years old, and when added to years of service, equals 65 or greater) and if his employment is terminated without cause pursuant to his employment agreement. The executive receives service credit under the EDCP for any salary continuation and non-compete period. Additionally, if an executive is "separated from service" within 24 months of the Acquisition, the executive earns the retirement rate under the EDCP. Mr. Jenkin has met the requirements to earn the retirement rate.

While further deferrals into the EDCP were terminated, and while most EDCP participants transferred their EDCP account balance to the ESSP, amounts deferred pursuant to the EDCP prior to its termination and not transferred to the ESSP remain subject to the terms and conditions of the EDCP and will continue to earn interest as described above.

Under the deferred compensation plans, the Acquisition required that the trust and escrow fund be fully funded.

REPORT OF THE HUMAN RESOURCES COMMITTEE

To the Board of Directors of Caesars Entertainment Corporation:

Our role is to assist the Board of Directors in its oversight of the Company's executive compensation, including approval and evaluation of director and officer compensation plans, programs and policies and administration of the Company's bonus and other incentive compensation plans.

We have reviewed and discussed with management the Compensation Discussion and Analysis.

Based on the review and discussion referred to above, we recommend to the Board of Directors that the Compensation Discussion and Analysis referred to above be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Kelvin Davis
Marc Rowan
Lynn Swann

The above Report of the Human Resources Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Report by reference therein.

Summary Compensation Table

The Summary Compensation Table below sets forth certain compensation information concerning the Company's Chief Executive Officer, Chief Financial Officer, and our three additional most highly compensated executive officers during 2011.

(a) Name and Principal Position	(b) Year	(c) Salary (\$)	(d) Bonus (2) (\$)	(e) Stock Awards (1) (\$)	(f) Option Awards (1) (\$)	(g) Non-Equity Incentive Plan Compensation (3) (\$)	(h) Change in Pension Value and Nonqualified- Deferred Compensation Earnings (4) (\$)	(i) All Other Compensation (5) (\$)	(j) Total (\$)
Gary W. Loveman, President and Chief Executive Officer	2011	1,900,000	—	—	13,428,357	3,900,000	—	1,174,840	20,403,197
	2010	1,900,000	—	—	12,398,006	2,700,000	—	1,268,906	18,266,912
	2009	1,919,231	—	—	—	3,000,000	—	1,047,079	5,966,310
Jonathan S. Halkyard, Executive Vice President, Chief Financial Officer	2011	700,000	—	—	663,900	555,000	—	24,403	1,943,303
	2010	675,365	—	—	1,443,941	336,000	—	18,534	2,473,840
	2009	605,731	—	—	—	349,867	—	25,610	981,208
Thomas M. Jenkin, President of Operations	2011	1,200,000	—	—	1,487,311	1,350,000	54,118	32,046	4,123,475
	2010	1,157,769	—	—	2,197,461	500,000	17,147	35,898	3,908,275
	2009	1,151,538	—	—	—	767,289	116,834	33,188	2,068,849
John W. R. Payne, President of Enterprise Shared Services	2011	1,063,077	—	—	1,267,120	953,056	—	36,086	3,319,339
	2010	985,274	—	—	1,394,159	825,000	—	34,356	3,238,789
	2009	887,645	—	—	—	904,574	—	22,781	1,815,000
Mary H. Thomas, Executive Vice President, Human Resources	2011	509,615	100,000	—	756,992	539,062	—	15,826	1,921,495
	2010	385,923	—	—	478,652	235,000	—	16,972	1,116,547
	2009	377,692	—	—	88,504	265,718	—	21,990	753,904

- (1) Amounts in this column reflect the grant date fair value of stock awards and option awards granted during the applicable year and was determined as required by Accounting Standards Codification, or ASC, Topic 718, (formerly, Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123(R))). See Note 18 "Employee Benefit Plans" to our audited consolidated financial statements included elsewhere in this Form 10-K for details on assumptions used in the valuations for 2011, 2010 and 2009.

Performance-based awards are valued using a Monte Carlo simulation option pricing model. This model approach provides a probable outcome fair value for these types of awards. The estimated maximum potential values for the performance awards, and the related total Option Award fair values for the 2011 awards, respectively, were \$3,018,339 and \$9,055,000 for Mr. Loveman. The estimated maximum potential values for the performance awards, and the related total Option Award fair values for the 2009 awards, respectively, were \$33,906 and \$90,386 for Ms. Thomas.

In July 2011, the HRC approved amendments to outstanding stock options reducing the price of outstanding time-based options to \$20.09, with the reduced exercise price being phased in between a four to six year period, depending on the grant date. The exercise price of outstanding 1.5X performance-based options was also reduced to \$20.09 per share. Included in the figures in this column is the incremental fair value, computed as of the date of the above amendments in accordance with FASB ASC Topic 718 with respect to such amended stock options. See "Executive Compensation-Compensation Discussion & Analysis-Elements of Compensation-Stock Option Re-Pricing" for additional information.

- (2) Reflects a special, retention-oriented bonus awarded in February 2011.
- (3) In 2011, Messrs. Loveman, Halkyard, Jenkin, and Payne and Ms. Thomas received bonuses related to the Project Renewal Incentive Plan in the amounts of \$1,000,000, \$155,000, \$300,000, \$256,250, and \$125,962, respectively. Messrs. Jenkin and Payne received 2011 bonus pursuant to the Annual Management Bonus Plan in the amounts of \$1,050,000 and \$696,806, respectively. Messrs. Loveman and Halkyard and Ms. Thomas received 2011 bonuses pursuant to the Senior Executive Incentive Plan in the amounts of \$2,900,000, \$400,000, and \$413,100, respectively. Amounts paid in both 2010 and 2009 were paid pursuant to the Annual Management Bonus Plan for Messrs. Jenkin and Payne, and the Senior Executive Incentive Plan for Messrs. Loveman and Halkyard, and Ms. Thomas.
- (4) Includes above-market earnings on the balance Mr. Jenkin maintain in the EDCP. Mr. Jenkin has met the requirements to earn the retirement rate of interest. In October 1995, the HRC approved a fixed retirement rate of 15.5% for all account balances under the EDCP as of December 31, 1995 (subject to plan minimum rates contained in the EDCP). The interest rates on post-1995 deferrals continue to be approved each year by the HRC. The retirement rate on post 1995 deferrals during 2011 was the EDCP's minimum retirement rate of 7.64%.
- (5) All Other Compensation includes the amounts in the following table:

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Name	Year	Executive Security (\$)	Allocated amount for aircraft usage (\$)	Allocated amount for company lodging (\$)	Tax Reimbursements (\$)
Gary W. Loveman	2011	236,443	539,005	126,710	137,616
	2010	412,890	464,630	133,607	120,681
	2009	394,529	330,618	126,393	58,799
Jonathan S. Halkyard	2011	—	—	—	—
	2010	—	—	—	—
	2009	—	—	—	—
Thomas M. Jenkin	2011	—	—	—	—
	2010	—	—	—	—
	2009	—	—	—	—
John W. R. Payne	2011	—	—	—	—
	2010	—	—	—	—
	2009	—	—	—	—
Mary H. Thomas	2011	—	—	—	—
	2010	—	—	—	—
	2009	—	—	—	—

Perquisites consist of executive security, personal aircraft usage, company lodging, pension matching contributions, life and disability insurance, financial planning, and tax reimbursements. Perquisites are detailed in the above table only to the extent that the amount of any individual item exceeds the greater of \$25,000 or 10% of the executive's total perquisites.

Mr. Loveman is required to have executive security protection. See "Compensation Discussion & Analysis—Personal Benefits and Perquisites" for additional information.

The amount allocated to Mr. Loveman for personal and/or commuting aircraft usage is calculated based on the incremental cost to us of fuel, trip-related maintenance, crew travel expenses, on-board catering, landing fees, trip-related hangar/parking costs, and other miscellaneous variable costs. Since our aircrafts are used primarily for business travel, we do not include the fixed costs that do not change based on usage, such as pilots' salaries, depreciation of the purchase costs of our aircraft, fractional ownership commitment fees, and the cost of maintenance not specifically related to trips. For security reasons, Mr. Loveman is required to use our aircraft for personal and business travel.

The amount allocated to Mr. Loveman for company lodging while in Las Vegas and the associated taxes are based on respective taxable earnings for such lodging. In addition to tax reimbursements for lodging, Mr. Loveman also receives tax reimbursements for the premiums paid for his life and disability insurance. In 2011, 2010 and 2009, Mr. Loveman received tax reimbursements related to lodging of \$90,817, \$95,762, and \$58,799, respectively. Tax reimbursements for Mr. Loveman's life and disability insurance premiums were \$46,799, \$24,919, and zero, for 2011, 2010 and 2009, respectively.

We do not provide a fixed benefit pension plan for our executives but maintain a deferred compensation plan, the Executive Supplemental Savings Plan II, or the ESSP II, under which the executives may defer a portion of their compensation. The ESSP II is a variable investment plan that allows the executives to direct their investments by choosing among several investment alternatives.

Discussion of Summary Compensation Table

Each of our named executive officers has entered into employment agreements with us that relate to the benefits that the named executive officers receive upon termination. See "—Executive Compensation—Compensation Discussion and Analysis—Elements of Post Employment Compensation and Benefits-Employment Arrangements" for additional information.

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Grants of Plan-Based Awards

The following table gives information regarding potential incentive compensation for 2011 to our executive officers named in the Summary Compensation Table. Non-Equity Incentive Plan Awards approved for 2011 and 2010 are included in the “Non Equity Incentive Plan Compensation” column in the Summary Compensation Table.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards			Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Share Value on Grant Date (\$/Sh)	Grant Date Fair Value of Option Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Gary W. Loveman	n/a	—	2,850,000	7,125,000	—	—	—	—	—	—	—
	11/29/2011	—	—	—	—	—	290,334	580,667	20.09	20.09	7,878,331
	7/8/2011 ⁽²⁾	—	—	—	—	—	478,375	1,610,875	20.09	20.09	5,550,026(3)
Jonathan S. Halkyard	n/a	—	420,000	1,260,000	—	—	—	—	—	—	—
	11/29/2011	—	—	—	—	—	—	8,710	20.09	20.09	90,550
	7/8/2011 ⁽²⁾	—	—	—	—	—	26,730	182,020	20.09	20.09	573,350(3)
Thomas M. Jenkin	n/a	—	900,000	2,700,000	—	—	—	—	—	—	—
	11/29/2011	—	—	—	—	—	—	66,359	20.09	20.09	689,864
	7/8/2011 ⁽²⁾	—	—	—	—	—	35,947	261,235	20.09	20.09	797,447(3)
John W. R. Payne	n/a	—	843,750	2,531,250	—	—	—	—	—	—	—
	11/29/2011	—	—	—	—	—	—	68,635	20.09	20.09	713,534
	7/8/2011 ⁽²⁾	—	—	—	—	—	25,808	175,744	20.09	20.09	553,586(3)
Mary H. Thomas	n/a	—	393,750	1,181,250	—	—	—	—	—	—	—
	11/29/2011	—	—	—	—	—	—	55,711	20.09	20.09	579,176
	7/8/2011 ⁽²⁾	—	—	—	—	—	8,998	60,792	20.09	20.09	177,816(3)

(1) Represents potential threshold, target, and maximum incentive compensation for 2011.

(2) In July 2011, the HRC approved amendments to outstanding stock options reducing the price of outstanding time-based options to \$20.09, with the reduced exercise price being phased in between a four to six year period, depending on the grant date. The exercise price of outstanding 1.5X performance-based options was also reduced to \$20.09 per share. See “—Executive Compensation—Compensation Discussion & Analysis—Elements of Compensation—Stock Option Re—Pricing” for additional information.

(3) The figure in this column represents, with respect to the amended stock options, the incremental fair value, computed as of the date of the option amendments in accordance with FASB ASC Topic 718.

Discussion of Grants of Plan Based Awards Table

In February 2008, the Board approved and adopted the Harrah’s Entertainment Corporation Management Equity Incentive Plan (the “Equity Plan”). The purpose of the Equity Plan is to promote our long-term financial interests and growth by attracting and retaining management and other personnel and key service providers with the training, experience, and ability to enable them to make a substantial contribution to the success of our business; to motivate management personnel by means of growth-related incentives to achieve long-range goals; and to further the alignment of interests of participants with those of our stockholders. Grants to each of our named executive officers under this plan are listed above. For a more detailed discussion of how equity grants are determined, see “—Executive Compensation—Compensation Discussion & Analysis—Elements of Compensation—Equity Awards.”

On January 27, 2008, we entered into a stock option rollover agreement with Mr. Loveman that provides for the conversion of options to purchase our shares prior to the Acquisition into options to purchase our shares following the Acquisition with such conversion preserving the intrinsic “spread value” of the converted option. The rollover option is immediately exercisable with respect to 231,918 shares of our common stock at an exercise price of \$14.35 per share. The rollover option expires on June 17, 2012.

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Outstanding Equity Awards at Fiscal Year-End

In February 2008, the Board approved and adopted the Harrah's Entertainment, Inc. Management Equity Incentive Plan. Grants to each of our named executive officers under this plan are listed below, as of December 31, 2011. See “—Executive Compensation—Compensation Discussion and Analysis—Elements of Compensation—Equity Awards” for more information.

Name	Options				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Options Exercise Price (\$)	Options Expiration Date
Gary W. Loveman	231,918	—	—	14.35	6/17/2012
	325,218	325,216(1)	478,375(2)	57.41	2/27/2018
	162,609(5)	—	478,375(2)	20.09	2/27/2018
	—	683,857(3)	—	32.19	3/1/2020
	—	113,976(3)	—	20.09	3/1/2020
	—	580,667(4)	290,334(6)	20.09	11/29/2021
Jonathan S. Halkyard	35,640	35,640(1)	26,730(2)	57.41	2/27/2018
	17,819(5)	—	26,730(2)	20.09	2/27/2018
	—	79,646(3)	—	32.19	3/1/2020
	—	13,275(3)	—	20.09	3/1/2020
	—	8,710(4)	—	20.09	11/29/2021
Thomas M. Jenkin	47,930	47,930(1)	35,947(2)	57.41	2/27/2018
	23,965(5)	—	35,947(2)	20.09	2/27/2018
	—	121,209(3)	—	32.19	3/1/2020
	—	20,202(3)	—	20.09	3/1/2020
	—	66,359(4)	—	20.09	11/29/2021
John W. R. Payne	34,412	34,410(1)	25,808(2)	57.41	2/27/2018
	17,206(5)	—	25,808(2)	20.09	2/27/2018
	—	76,901(3)	—	32.19	3/1/2020
	—	12,816(3)	—	20.09	3/1/2020
	—	68,635(4)	—	20.09	11/29/2021
Mary H. Thomas	9,832	9,832(1)	7,374(2)	57.41	2/27/2018
	4,916(5)	—	7,374(2)	20.09	2/27/2018
	1,262	3,246	1,624(2)	29.73	2/24/2019
	903(5)	—	1,624(2)	20.09	2/24/2019
	—	26,402(3)	—	32.19	3/1/2020
	—	4,401(3)	—	20.09	3/1/2020
	—	55,711(4)	—	20.09	11/29/2021

⁽¹⁾ One-half of unvested options vest on January 28, 2012 and 2013, respectively.

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- (2) Performance options vest if the return on investment in Caesars of the Sponsors and co-investors achieves a specified return. Specifically, 50% of the performance-based options vest upon a 1.5X return and 2X return, respectively. In addition, a pro rata portion of the 2X options vest if the Sponsors and co-investors achieve a return on their investment that is greater than 1.75X, but less than 2X. The pro rata portion increases on a straight-line basis from zero to a participant's total number of 2X options depending upon the level of return the Sponsors and co-investors realize between 1.75X and 2X. In July 2011, the HRC approved an amendment to all outstanding option grants reducing the strike price of all outstanding 1.5X performance-based options to \$20.09. The strike prices of 2X options were not changed from their original issue price.
- (3) One-fourth of unvested options vest on March 1, 2012, 2013, 2014, and 2015, respectively.
- (4) One-fourth of unvested options vest on September 30, 2012, 2013, 2014, and 2015, respectively.
- (5) In July 2011, the HRC approved amendments to the outstanding stock options, which reduced the exercise price for all outstanding, time-based options to \$20.09 per share. The reduced exercise price is phased in over a four to six-year period, depending on grant date, as set forth in each individual award agreement. Prior to the phase-in, any vested options may still be exercised at the original exercise price, subject to the terms of the Equity Plan.
- (6) These performance options vest if the Sponsors and their respective affiliates achieve the return of capital invested in Caesars at a \$57.41 stock price.

Option Exercises and Stock Vested

The following table gives certain information concerning stock option and stock award exercises and vesting during 2011. No options were exercised during 2011.

Name	Option Awards Number of Shares Vesting (#)	Stock Awards Number of Shares Vesting (#)	Value Realized on Exercise (\$)
Gary W. Loveman	162,609	—	—
Jonathan S. Halkyard	17,819	—	—
Thomas M. Jenkin	23,965	—	—
John W. R. Payne	17,206	—	—
Mary H. Thomas	5,998	—	—

For discussion of how equity grants are determined, see “—Executive Compensation—Compensation Discussion & Analysis—Elements of Compensation—Equity Awards.”

Nonqualified Deferred Compensation

Name	Executive Contributions in 2011 (\$) ⁽¹⁾	Company's Contributions in 2011 (\$) ⁽¹⁾	Aggregate Earnings in 2011 (\$) ⁽¹⁾	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance in 2011 (\$) ⁽²⁾
Gary W. Loveman	—	—	(712)	—	50,445
Jonathan S. Halkyard	303,000	—	(45,091)	—	1,228,244
Thomas M. Jenkin	—	—	599,885	—	5,546,935
John W. R. Payne	—	—	(389)	—	12,570
Mary H. Thomas	107,731	—	(18,213)	—	567,208

⁽¹⁾ The following deferred compensation contribution and earnings amounts were reported in the 2011 Summary Compensation Table.

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Name	Contributions in 2011 (\$)	Above Market Earnings in 2011 (\$)
Gary W. Loveman	—	—
Jonathan S. Halkyard	303,000	—
Thomas M. Jenkin	—	54,118
John W. R. Payne	—	—
Mary H. Thomas	107,731	—

All other earnings were at market rates from deferred compensation investments directed by the executives.

- (2) The following deferred compensation contribution and earnings amounts were reported in the Summary Compensation Table in previous years.

Name	Prior Years Contributions and Above Market Earnings Amounts (\$)
Gary W. Loveman	12,484,249
Jonathan S. Halkyard	932,551
Thomas M. Jenkin	1,008,092
John W. R. Payne	801,986
Mary H. Thomas	107,731

Discussion of Nonqualified Deferred Compensation Table

We do not provide a fixed benefit pension plan for our executives but maintain deferred compensation plans (collectively, DCP) and an ESSP II. During 2011, certain key employees, including executive officers, could defer a portion of their salary and bonus into the ESSP II. The ESSP II is a variable investment plan that allows the executives to direct their investments by choosing among several investment alternatives. The contributions of the executives and the company into the ESSP II during 2011 are reflected in the above table. The earnings of the executives in 2011 on current and prior year deferrals are also reflected in the above table.

The ESSP II replaced our Executive Supplemental Savings Plan, or ESSP, for future deferrals beginning on January 1, 2005. No deferrals were allowed after December 2004 into ESSP. We approved the ESSP II, which complies with the American Jobs Creation Act of 2004 and allowed deferrals starting in 2005. Messrs. Jenkin, Halkyard and Payne and Ms. Thomas maintain a balance in the ESSP II, and Mr. Halkyard maintains a balance in the ESSP. Earnings for 2011 are included in the above table.

Mr. Jenkin currently maintains a balance in the Executive Deferred Compensation Plan, or the EDCP. Under the EDCP, the executive earns the retirement rate under the EDCP if he attains (a) specified age and service requirements (55 years of age plus 10 years of service or 60 years of age) or (b) attains specified age and service requirements (is at least 50 years old, and when added to years of service, equals 65 or greater) and if his employment is terminated without cause pursuant to his employment agreement. The executive receives service credit under the EDCP for any salary continuation and non-compete period. Additionally, if an executive is “separated from service” within 24 months of the Acquisition, the executive earns the retirement rate under the EDCP. Mr. Jenkin has met the requirements under the EDCP to earn the retirement rate. Deferrals into the EDCP were terminated in 2001. The HRC approves the EDCP retirement rate (which cannot be lower than a specified formula rate) annually. In October 1995, the HRC approved a fixed retirement rate of 15.5% for all account balances under the EDCP as of December 31, 1995 (subject to plan minimum rates contained in the EDCP). The interest rates on post-1995 deferrals continue to be approved each year by the HRC. The retirement rate on post-1995 deferrals during 2011 was the Plan’s minimum retirement rate of 7.64%. Mr. Jenkin’s earnings in 2011 under the EDCP are included in the above table.

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The table below shows the investment funds available under the ESSP and the ESSP II and the annual rate of return for each fund for the year ended December 31, 2011:

Name of Fund	2011 Rate of Return
500 Index Trust B	1.86%
Aggressive Growth Lifecycle	(5.10)%
American Growth Trust	(4.63)%
American International Trust	(14.34)%
M International Equity	(13.56)%
Conservative Lifecycle	2.72%
Equity-Income Trust	(0.76)%
Growth Lifecycle	(2.57)%
Inflation Managed	11.85%
Managed Bond	3.84%
Mid Cap Stock Trust	(9.16)%
Mid Value Trust	(4.80)%
Moderate Lifecycle	0.15%
Money Market Trust B	0.08%
Real Estate Securities Trust	6.12%
Small Cap Growth Trust	(6.79)%
Small Cap Value Trust	1.15%
Small Cap Index	(4.51)%
International Equity Index	(13.99)%

Pursuant to the terms of the DCP and ESSP II, any unvested amounts of the participants in the plans became fully vested upon the Acquisition.

Potential Payments Upon Termination or Change of Control

We have entered into employment agreements with the named executive officers that require us to make payments and provide various benefits to the executives in the event of the executive's termination or a Change in Control. The terms of the agreements are described above under "—Executive Compensation—Compensation Discussion and Analysis—Elements of Post-Employment Compensation and Benefits—Employment Arrangements." The estimated value of the payments and benefits due to the executives pursuant to their agreements under various termination events are detailed below.

The following tables show the estimated amount of potential cash severance payable to each of the named executive officers, as well as the estimated value of continuing benefits, based on compensation and benefit levels in effect on December 31, 2011.

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For each of the NEOs, we have assumed that their employment was terminated on December 31, 2011, and the market value of their unvested equity awards was \$20.09 per share, which was the fair market value of our stock (as determined by the HRC) as of December 31, 2011. Due to the numerous factors involved in estimating these amounts, the actual value of benefits and amounts to be paid can only be determined upon an NEOs termination of employment.

Gary W. Loveman	Voluntary Termination (\$)	Retirement (\$)	Involuntary Not for Cause Termination (\$)	For Cause Termination (\$)	Involuntary or Good Reason Termination (Change in Control) (\$) ⁽¹⁾	Disability (\$) ⁽²⁾	Death (\$)
Compensation:							
Base Salary	—	—	9,700,000	—	14,550,000	4,000,000	—
Short Term Incentive	—	—	2,850,000	—	2,850,000	—	—
Benefits and Perquisites:							
Post-retirement Health Care ⁽³⁾	315,100	315,100	315,100	315,100	315,100	315,100	—
Medical Benefits	—	—	—	—	—	—	17,161
Life & Accident Insurance and Benefits ⁽⁴⁾	—	—	22,520	—	22,520	22,520	6,000,000
Disability Insurance and Benefits ⁽⁵⁾	—	—	—	—	—	80,000 per mo.	—
Totals	315,100	315,100	12,887,620	315,100	17,737,620	4,337,620 and 80,000 per mo.	6,017,161

(1) Amounts do not include amount of any gross up payment for excise taxes under Section 4999 of the Code.

(2) Base salary payments will be offset by disability payments.

(3) Reflects the estimated present value of all future premiums under our health plans.

(4) Reflects the estimated present value of the cost of coverage for life and accident insurance policies and the estimated amount of proceeds payable to the executive's beneficiaries in the event of the executive's death.

(5) Reflects the estimated amount of proceeds payable to the executive in the event of the executive's disability.

Jonathan S. Halkyard	Voluntary Termination (\$)	Retirement (\$)	Involuntary Not for Cause Termination (\$)	For Cause Termination (\$)	Involuntary or Good Reason Termination (Change in Control) (\$)	Disability (\$) ⁽¹⁾	Death (\$)
Compensation:							
Base Salary	—	—	1,050,000	—	1,050,000	1,050,000	—
Short Term Incentive	—	—	555,000	—	555,000	—	—
Benefits and Perquisites:							
Post-retirement Health Care ⁽²⁾	—	—	—	—	—	382,319	—
Life & Accident Insurance and Benefits ⁽³⁾	—	—	—	—	—	—	1,995,000
Disability Insurance and Benefits ⁽⁴⁾	—	—	—	—	—	30,000 per mo.	—
Totals	—	—	1,605,000	—	1,605,000	1,432,319 and 30,000 per mo.	1,995,000

(1) Base salary payments will be offset by disability payments.

(2) Reflects the estimated present value of all future premiums under our health plans.

(3) Reflects the estimated present value of the cost of coverage for life and accident insurance policies and the estimated amount of proceeds payable to the executive's beneficiaries in the event of the executive's death.

(4) Reflects the estimated amount of proceeds payable to the executive in the event of the executive's disability.

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Thomas M. Jenkin	Voluntary Termination (\$)	Retirement (\$)	Involuntary Not for Cause Termination (\$)	For Cause Termination (\$)	Involuntary or Good Reason Termination (Change in Control) (\$)	Disability (\$) ⁽¹⁾	Death (\$)
Compensation:							
Base Salary	—	—	1,800,000	—	1,800,000	1,800,000	—
Short Term Incentive	—	—	1,350,000	—	1,350,000	—	—
Benefits and Perquisites:							
Post-retirement Health Care ⁽²⁾	243,948	243,948	243,948	—	243,948	243,948	—
Life & Accident Insurance and Benefits ⁽³⁾	—	—	—	—	—	—	3,420,000
Disability Insurance and Benefits ⁽⁴⁾	—	—	—	—	—	30,000 per mo.	—
Totals	243,948	243,948	3,393,948	—	3,393,948	2,043,948 and 30,000 per mo.	3,420,000

(1) Base salary payments will be offset by disability payments.

(2) Reflects the estimated present value of all future premiums under our health plans.

(3) Reflects the estimated present value of the cost of coverage for life and accident insurance policies and the estimated amount of proceeds payable to the executive's beneficiaries in the event of the executive's death.

(4) Reflects the estimated amount of proceeds payable to the executive in the event of the executive's disability.

John W. R. Payne	Voluntary Termination (\$)	Retirement (\$)	Involuntary Not for Cause Termination (\$)	For Cause Termination (\$)	Involuntary or Good Reason Termination (Change in Control) (\$)	Disability (\$) ⁽¹⁾	Death (\$)
Compensation:							
Base Salary	—	—	1,687,500	—	1,687,500	1,687,500	—
Short Term Incentive	—	—	953,056	—	953,056	—	—
Benefits and Perquisites:							
Post-retirement Health Care ⁽²⁾	—	—	—	—	—	434,177	—
Life & Accident Insurance and Benefits ⁽³⁾	—	—	—	—	—	—	2,922,000
Disability Insurance and Benefits ⁽⁴⁾	—	—	—	—	—	30,000 per mo.	—
Totals	—	—	2,640,556	—	2,640,556	2,121,677 and 30,000 per mo.	2,922,000

(1) Base salary payments will be offset by disability payments.

(2) Reflects the estimated present value of all future premiums under our health plans.

(3) Reflects the estimated present value of the cost of coverage for life and accident insurance policies and the estimated amount of proceeds payable to the executive's beneficiaries in the event of the executive's death.

(4) Reflects the estimated amount of proceeds payable to the executive in the event of the executive's disability.

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Mary H. Thomas	Voluntary Termination (\$)	Retirement (\$)	Involuntary Not for Cause Termination (\$)	For Cause Termination (\$)	Involuntary or Good Reason Termination (Change in Control) (\$)	Disability (\$) ⁽¹⁾	Death (\$)
Compensation:							
Base Salary	—	—	787,500	—	787,500	787,500	—
Short Term Incentive	—	—	539,062	—	539,062	—	—
Benefits and Perquisites:							
Post-retirement Health Care ⁽²⁾	—	—	—	—	—	410,454	—
Life & Accident Insurance and Benefits ⁽³⁾	—	—	—	—	—	—	1,140,000
Disability Insurance and Benefits ⁽⁴⁾	—	—	—	—	—	25,000 per mo.	—
Totals	—	—	1,326,562	—	1,326,562	1,197,954 and 25,000 per mo.	1,140,000

(1) Base salary payments will be offset by disability payments.

(2) Reflects the estimated present value of all future premiums under our health plans.

(3) Reflects the estimated present value of the cost of coverage for life and accident insurance policies and the estimated amount of proceeds payable to the executive's beneficiaries in the event of the executive's death.

(4) Reflects the estimated amount of proceeds payable to the executive in the event of the executive's disability.

Compensation of Directors

The following table sets forth the compensation provided by the Company to non-management directors during 2011:

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$) ⁽¹⁾	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Jeffrey Benjamin	—	—	—	—	—
David Bonderman	—	—	—	—	—
Jonathan Coslet ⁽²⁾	—	—	—	—	—
Kelvin Davis	—	—	—	—	—
Jeffrey Housenbold ⁽³⁾	8,889	—	—	—	8,889
Karl Peterson	—	—	—	—	—
Eric Press	—	—	—	—	—
Marc Rowan	—	—	—	—	—
David Sambur	—	—	—	—	—
Lynn C. Swann ⁽⁴⁾	90,000	33,247	—	—	123,247
Jinlong Wang ⁽⁵⁾	100,000	71,952	—	—	171,952
Christopher J. Williams ⁽⁶⁾	130,000	20,352	—	—	150,352

(1) Amounts in this column represent the sum of (i) the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 and (ii) the incremental fair value of options that were repriced in 2011, as of July 8, 2011, the date of the repricing.

(2) Mr. Coslet resigned from the Board effective November 29, 2011.

(3) Mr. Housenbold was elected to the Board effective November 29, 2011 and his compensation for 2011 was prorated.

(4) Mr. Swann had a total of 4,690 options outstanding on December 31, 2011.

(5) Mr. Wang had a total of 4,009 options outstanding on December 31, 2011.

(6) Mr. Williams also serves on the NJ/PA Audit Committee. For his services on the NJ/PA Audit Committee, Mr. Williams was paid an annual retainer of \$30,000 in 2011. He had a total of 4,916 options outstanding on December 31, 2011.

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In 2011, only Mr. Williams, Mr. Swann, Mr. Wang, and Mr. Housenbold received compensation for their services as members of our Board. Mr. Williams and Mr. Swann received a one-time option grant on July 1, 2008, which vests ratably over five years from the date of election to our Board. Mr. Williams received an option to purchase 4,916 shares of common stock, and Mr. Swann received an option to purchase 3,688 shares of common stock. In January 2011, Mr. Swann received an option to purchase an additional 1,002 shares of common stock, and Mr. Wang received an option to purchase 4,009 shares of common stock. In July 2011, the HRC approved amendments to outstanding stock options reducing the price of outstanding time-based options to \$20.09, with the reduced exercise price being phased in between a four to six year period, depending on the grant date. In addition, each of these directors and Mr. Housenbold receive annual cash compensation paid monthly in arrears. Mr. Williams receives \$100,000 annually, Mr. Swann receives \$90,000 annually, and Mr. Wang receives \$100,000 annually. Mr. Housenbold's compensation for 2012 shall be \$100,000 annually. The remaining directors do not receive compensation for their service as a member of our Board. All of our directors are reimbursed for any expenses incurred in connection with their service.

2012 Performance Incentive Plan

Our Board and stockholders have adopted the 2012 Performance Incentive Plan, or 2012 Incentive Plan. The following is a summary of certain terms and conditions of the 2012 Incentive Plan.

Eligibility

Directors, employees, officers, and individual consultants or advisors who render services to the Company or its subsidiaries may be selected to receive awards under the 2012 Incentive Plan.

Administration

Our Board or a subcommittee thereof has the authority to administer the 2012 Incentive Plan. The Board or a subcommittee may delegate some or all authority to another committee. In addition, to the extent permitted by applicable law, the Board or subcommittee may delegate to one or more officers of the Company its powers to designate the officers and employees who will receive grants of awards under the 2012 Incentive Plan and to determine the number of shares subject to, and the other terms and conditions of, such awards. Ministerial, non-discretionary functions may be delegated to certain officers, employees and third parties.

For awards intended to satisfy the requirements for performance-based compensation under Section 162(m) of the Internal Revenue Code, the 2012 Incentive Plan will be administered by a committee consisting solely of two or more outside directors. Awards or transactions intended to be exempt under Rule 16b-3 of the Securities Exchange Act, must be authorized by the Board or a committee consisting solely of two or more non-employee directors (as such requirement is applied under Rule 16b-3). And, to the extent required by any applicable listing agency, this 2012 Incentive Plan shall be administered by a committee composed entirely of "independent directors," within the meaning of the applicable listing agency.

It is currently anticipated that the HRC will administer the 2012 Incentive Plan. The HRC, the Board or any subcommittee administering the 2012 Incentive Plan is referred to in this summary as the "plan administrator."

The plan administrator has broad authority, subject to express provisions of the 2012 Incentive Plan, to:

- select participants and determine the types of awards that they are to receive;
- determine the number of shares that are to be subject to awards and the terms and conditions of awards (including the price (if any) to be paid for the shares or award, vesting schedules, performance targets and the events of termination of such awards);
- approve the form of agreements evidencing the awards, which need not be identical as to type of award or among participants;
- cancel, modify or waive our rights with respect to, or modify, discontinue, suspend or terminate any or all outstanding awards, subject to any required consents;
- accelerate or extend the vesting or exercisability of, or extend the term of, any or all outstanding awards, subject to the terms of the 2012 Incentive Plan;
- construe and interpret the 2012 Incentive Plan and any agreements relating to the 2012 Incentive Plan;

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- subject to the other provisions of the 2012 Incentive Plan, make certain adjustments to outstanding awards, including to the number of shares of common stock subject to any award, the price of any award or previously imposed terms and conditions;
- authorize the termination, conversion, substitution or succession of awards upon the occurrence of certain events;
- allow the purchase price of an award or shares of our common stock to be paid in the form of cash, check or electronic funds transfer, by the delivery of previously-owned shares of our common stock or by a reduction of the number of shares deliverable pursuant to the award, by services rendered by the recipient of the award, by notice and third party payment or cashless exercise on such terms as the plan administrator may authorize, or any other form permitted by law; and
- determine the date of grant of awards, which may be after, but not before, the plan administrator's action and, unless otherwise designated by the plan administrator, will be the date of plan administrator's action.

The plan administrator will have full discretion to take such actions as it deems necessary or desirable for the administration of the 2012 Incentive Plan. Plan administrator decisions relating to the 2012 Incentive Plan are final and binding.

Number of Shares Authorized and Award Limits

Subject to adjustment in connection with changes in capitalization, the maximum number of shares of our common stock that may be delivered pursuant to awards under the 2012 Incentive Plan is the sum of: (1) 6,867,019 shares of our common stock, (2) 474,211 the number of shares under the Equity Plan that are not subject to stock options granted as of consummation of our initial public offering in February 2012 and (3) the number of shares subject to stock options granted under the Equity Plan, and outstanding on the date the 2012 Incentive Plan was first approved by its stockholders, which thereafter expire, or for any reason are cancelled or terminated, without being exercised.

As of the date of this 2011 Form 10-K, no awards have been granted under the 2012 Incentive Plan, and the full number of shares authorized under the 2012 Incentive Plan is available for award purposes.

This maximum share reserve will be reduced in accordance with the rules in this paragraph:

- to the extent an award is settled in cash or a form other than common stock, the shares that would have been delivered had there been no such cash or other settlement will not be counted against the shares available for issuance under the 2012 Incentive Plan;
- if shares of common stock are delivered in respect of a dividend equivalent right, the actual number of shares delivered with respect to the award will be counted against the share limits;
- if shares of common stock are delivered pursuant to the exercise of a stock appreciation right or option granted under the 2012 Incentive Plan, the number of underlying shares as to which the exercise related will be counted against the applicable share limits, as opposed to only counting the shares actually issued; and
- shares that are subject to or underlie awards that expire, are cancelled, terminated or forfeited, fail to vest, or for any other reason are not paid or delivered under the 2012 Incentive Plan shall again be available for subsequent awards under the 2012 Incentive Plan, but shares that are exchanged by a participant or withheld by the Company as full or partial payment in connection with any award under the 2012 Incentive Plan, or to satisfy tax withholding obligations related to any award, will not be available for subsequent awards under the 2012 Incentive Plan.

No fractional shares may be awarded under the 2012 Incentive Plan. The plan administrator may pay cash in lieu of fractional shares.

The 2012 Incentive Plan includes the following additional caps:

- no more than 6,867,019 shares may be issued with respect to incentive stock options under the 2012 Incentive Plan;

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- the maximum number of shares of common stock subject to those options and stock appreciation rights that are granted during any calendar year to any individual under the 2012 Incentive Plan is 3,433,509 shares;
- the maximum number of shares of common stock which may be delivered pursuant to performance-based awards (other than options and stock appreciation rights intended to satisfy the requirements for “performance-based compensation” under Internal Revenue Code Section 162(m), and other than cash awards covered by the cap in the following sentence) that are granted to any one participant in any calendar year will not exceed 1,373,404 shares, either individually or in the aggregate;
- in addition, the aggregate amount of compensation to be paid to any one participant in respect of all performance-based awards payable only in cash and not related to shares of common stock and granted to that participant in any one calendar year will not exceed \$25,000,000.00; and
- awards cancelled during the year will be counted against the limits in the preceding two bullets to the extent required by Section 162(m) of the Internal Revenue Code.

Changes in Capitalization

As is customary in incentive plans of this nature, (1) the number and type of shares of common stock (or other securities) available under the 2012 Incentive Plan, and the specific share limits, maximums and numbers of shares set forth elsewhere in the 2012 Incentive Plan, (2) the number, amount and type of shares of common stock (or other securities or property) subject to outstanding awards, (3) the grant, purchase, base, or exercise price and/or (4) the securities, cash or other property deliverable upon exercise or payment of outstanding awards must be equitably and proportionately adjusted by the plan administrator upon any reclassification, recapitalization, stock split, reverse stock split, merger, combination, consolidation, reorganization, spin-off, split-up, extraordinary dividend distribution in respect of the common stock, any exchange of common stock or other securities of the Company, or any similar, unusual or extraordinary corporate transaction in respect of the common stock. Unless otherwise expressly provided in the applicable award agreement, upon (or, as may be necessary to effect the adjustment, immediately prior to) any change-in-control-type event, the plan administrator shall equitably and proportionately adjust the performance standards applicable to any then-outstanding performance-based awards to the extent necessary to preserve (but not increase) the level of incentives intended by the 2012 Incentive Plan and the then-outstanding performance-based awards.

Awards Available for Grant

Awards under the 2012 Incentive Plan may be in the form of non-qualified and incentive (qualified) 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 with a value related to our common stock. Awards may be made in combination or in tandem with, in replacement of, as alternatives to, or as the payment form for grants or rights under any other employee or compensation plan of the Company or one of its subsidiaries.

Awards under the 2012 Incentive Plan generally will not be transferable other than by will or the laws of descent and distribution, though the plan administrator may permit awards to be exercised by and paid to, or otherwise transferred, under certain conditions or in the plan administrator’s discretion.

Options and Stock Appreciation Rights

Options granted under the 2012 Incentive Plan will be subject to the terms and conditions established by the plan administrator in an award agreement. All options granted under the 2012 Incentive Plan shall be non-qualified unless the applicable award agreement states that the option is intended to be an incentive stock option. The term of an option or stock appreciation right will generally be ten years (or five years for incentive stock options granted to a 10% shareholder) subject to the 2012 Incentive Plan’s and the applicable award agreement’s provisions for earlier expiration upon certain termination from employment.

The exercise price of options and base price of stock appreciation rights will not be less than the fair market value of the common stock at the date of grant; however, incentive stock options granted to a participant who owns shares representing more than 10% of the voting power of all classes of shares of the Company or any subsidiary will have an exercise price that is no less than 110% of the fair market value of our common stock at grant.

Payment of Exercise Price

The purchase or exercise price for an award under the 2012 Incentive Plan may be paid by means of any lawful consideration, as determined by the plan administrator, including: services rendered by the award recipient; cash, check, or electronic funds transfer; notice and third party payment; delivery of previously —owned shares of common stock; a reduction in

the number of shares otherwise deliverable pursuant to the award; or pursuant to a “cashless exercise” with a third party who provides financing for the purposes of (or who otherwise facilitates) the purchase or exercise of awards. Shares of common stock used to satisfy the exercise price of an option will be valued at their fair market value on the date of exercise. The Company will not be obligated to deliver any shares until it receives full payment of the exercise or purchase price therefore and any related withholding obligations and other conditions to exercise or purchase have been satisfied. Unless otherwise expressly provided in an applicable award agreement, the plan administrator may at any time eliminate or limit a participant’s ability to pay the purchase or exercise price of any award by any method other than cash. The plan administrator may provide for the deferred payment of awards and may determine the terms applicable to deferrals.

Section 162(m) Performance-Based Awards

Any of the types of awards granted under the 2012 Incentive Plan may be, and options and stock appreciation rights granted to officers and employees typically will be, granted as awards intended to satisfy the requirements for “performance—based compensation” within the meaning of Section 162(m) of the Internal Revenue Code. If the plan administrator determines that an award other than an option or stock appreciation right is intended to be subject to Section 162(m), the plan administrator shall establish performance criteria based on one or more of the following (as applied under generally accepted accounting principles or in the financial reporting of the Company or of its subsidiaries):

- earnings per share;
- cash flow (which means cash and cash equivalents derived from either net cash flow from operations or net cash flow from operations, financing and investing activities);
- stock price;
- total stockholder return;
- net revenue;
- revenue growth;
- operating income (before or after taxes);
- net earnings (before or after interest, taxes, depreciation and/or amortization);
- return on equity or on assets or on net investment;
- cost containment or reduction;
- property earnings (before interest, taxes, depreciation and/or amortization);
- adjusted earnings (before interest, taxes, depreciation and/or amortization);
- reduction in corporate expenses;
- customer service scores; or
- any combination thereof.

Performance-based awards may provide for performance targets to be adjusted to mitigate the unbudgeted impact of material, unusual or nonrecurring gains and losses, accounting changes or other extraordinary events not foreseen at the time the targets were set. The applicable performance measurement period may not be less than three months nor more than 10 years.

Corporate Transactions

Generally, and subject to limited exceptions set forth in the 2012 Incentive Plan, if we dissolve or undergo certain corporate transactions such as a merger, business combination, consolidation, or other reorganization; an exchange of our common stock; a sale of substantially all of our assets; or any other event in which we are not the surviving entity, all awards then-outstanding under the 2012 Incentive Plan will become fully vested or paid, as applicable, and will terminate or be terminated in such circumstances, unless the plan administrator provides for the assumption, substitution or other continuation of the award. The plan administrator may also make provision for a cash payment in settlement of awards upon such events. The plan administrator may adopt such valuation methodologies for outstanding awards as it deems reasonable in the event of a cash or property settlement and, in the case of options, stock appreciation rights or similar rights, may base such settlement solely upon the excess if any of the per share amount payable upon or in respect of such event over the exercise or base price of the award.

The plan administrator also has the discretion to establish other change in control provisions with respect to awards granted under the 2012 Incentive Plan. For example, the plan administrator could provide for the acceleration of vesting or payment of an award in connection with a corporate event that is not described above and provide that any such acceleration shall be automatic upon the occurrence of any such event.

Amendment

Our Board may amend or terminate the 2012 Incentive Plan at any time, but no amendment or termination may, without participant consent, impair the rights of such participant in any material respect under any award previously granted. Plan amendments will be submitted to stockholders for their approval as required by applicable law or any applicable listing agency.

Clawback/Forfeiture

Unless an award agreement provides otherwise, in the event of an accounting restatement due to material noncompliance by the Company with any financial reporting requirement under the securities laws that reduces the amount payable or due in respect of an award under the 2012 Incentive Plan that would have been earned had the financial results been properly reported (i) the award will be cancelled and the participant will forfeit the cash or shares received or payable on the vesting, exercise or settlement of the award and proceeds of the sale, gain or other value realized on the vesting or exercise of the award or the shares of common stock acquired in respect of the award (and the participant may be required to return or pay such shares or amount to the Company). If, after a termination by a participant from employment or services with the Company and its subsidiaries, the plan administrator determines that the Company or any of its subsidiaries had grounds to terminate such participant for “Cause” (as defined in the 2012 Incentive Plan), then (i) any outstanding award held by such participant may be cancelled without payment therefor and (ii) the plan administrator may require the participant to forfeit and pay over to the Company, on demand, all or any portion of the compensation, gain or other value realized upon the exercise of any option or stock appreciation right, or the subsequent sale of shares of common stock acquired upon exercise of such option or stock appreciation right and the value realized on the vesting, payment or settlement of any other award during the period following the date of the conduct constituting cause. To the extent required by applicable law and/or the rules of any exchange or inter-dealer quotation system on which shares of common stock are listed or quoted, or if so required pursuant to a written policy adopted by the Company (as in effect and/or amended from time to time), awards under the 2012 Incentive Plan shall be subject (including on a retroactive basis) to clawback, forfeiture or similar requirements (and such requirements shall be deemed incorporated by reference into the 2012 Incentive Plan and all outstanding award agreements).

U.S. Federal Income Tax Consequences

The following is a general summary of the material U.S. federal income tax consequences of the grant, exercise and vesting of awards under the 2012 Incentive Plan and the disposition of shares acquired pursuant to exercise or settlement of such awards and is intended to reflect the current provisions of the Internal Revenue Code and the regulations thereunder. This summary is not intended to be a complete statement of applicable law, nor does it address foreign, state, local and payroll tax considerations. Moreover, the U.S. federal income tax consequences to any particular participant may differ from those described herein by reason of, among other things, the particular circumstances of such participant.

Options

The Internal Revenue Code requires that, for treatment of an option as an incentive stock option, shares acquired through exercise of an incentive stock option cannot be disposed of before the later of (i) two years from grant or (ii) one year from exercise. Holders of incentive stock options will generally incur no federal income tax liability at the time of grant or exercise. However, the spread at exercise will be an “item of tax preference,” which may give rise to “alternative minimum tax” liability for the taxable year in which the exercise occurs. If the holder does not dispose of the shares before the above-mentioned holding periods, the difference between the exercise price and the amount realized upon disposition of the shares will be long-term capital gain or loss. Assuming both holding periods are satisfied, no deduction will be allowed to us for federal income tax purposes in connection with the grant or exercise of the incentive stock option. If the holder of shares acquired through exercise of an incentive stock option disposes of those shares within the holding periods, the participant will generally realize taxable compensation at the time of such disposition equal to the difference between the exercise price and the lesser of the fair market value of the share on the exercise date or the amount realized on the subsequent disposition of the shares, and that amount will generally be deductible by us for federal income tax purposes, subject to the possible limitations on deductibility under Sections 280G and 162(m) of the Code for compensation paid to executives designated in those sections. Finally, if an incentive stock option becomes first exercisable in any year for shares having an aggregate value in excess of \$100,000 (based on the grant date value), the portion of the incentive stock option in respect of those excess shares will be treated as a non-qualified share option for federal income tax purposes.

No income will be realized by a participant upon grant of an option that does not qualify as an incentive stock option (“a nonqualified option”). Upon exercise of a non-qualified option, the participant will recognize ordinary compensation income equal to the excess, if any, of the fair market value of the underlying exercised shares over the option exercise price paid at the time of exercise, and the participant’s tax basis will equal the sum of the compensation income recognized and the exercise price. We will be able to deduct this same amount for U.S. federal income tax purposes, but such deduction may be limited under Sections 280G and 162(m) of the Code for compensation paid to certain executives designated in those sections. In the event of a sale of shares received upon the exercise of a non-qualified option, any appreciation or depreciation after the exercise date generally will be taxed as capital gain or loss and will be long-term gain or loss if the holding period for such shares is more than one year.

Stock Appreciation Rights

No income will be realized by a participant upon grant of a stock appreciation right. Upon exercise, the participant will recognize ordinary compensation income equal to the fair market value of the payment received in respect of the stock appreciation right. We will be able to deduct this same amount for U.S. federal income tax purposes, but such deduction may be limited under Sections 280G and 162(m) of the Internal Revenue Code for compensation paid to certain executives designated in those sections.

Restricted Stock. A participant will not be subject to tax upon the grant of an award of restricted stock unless the participant otherwise elects to be taxed at the time of grant pursuant to Section 83(b) of the Code. No election under Section 83(b) of the Code or any similar law shall be made without the prior written consent of the Committee. On the date an award of restricted stock becomes transferable or is no longer subject to a substantial risk of forfeiture, the participant will have taxable compensation equal to the difference between the fair market value of the shares on that date over the amount the participant paid for such shares, if any, unless the participant made an election under Section 83(b) of the Code to be taxed at the time of grant. If the participant made an election under Section 83(b), the participant will have taxable compensation at the time of grant equal to the difference between the fair market value of the shares on the date of grant over the amount the participant paid for such shares, if any. If the election is made, the participant will not be allowed a deduction for amounts subsequently required to be returned to the Company. (Special rules apply to the receipt and disposition of restricted stock received by officers and directors who are subject to Section 16(b) of the Exchange Act). The Company will be able to deduct, at the same time as it is recognized by the participant, the amount of taxable compensation to the participant for U.S. federal income tax purposes, but such deduction may be limited under Sections 280G and 162(m) of the Code for compensation paid to certain executives designated in those Sections.

Restricted Stock Units. A participant will not be subject to tax upon grant of a restricted stock unit. Rather, upon delivery of shares or cash pursuant to an RSU, the participant will have taxable compensation equal to the fair market value of the number of shares (or the amount of cash) the participant actually receives with respect to the restricted stock unit. The Company will be able to deduct the amount of taxable compensation for U.S. federal income tax purposes, but the deduction may be limited under Sections 280G and 162(m) of the Code for compensation paid to certain executives designated in those Sections.

Other Stock-Based Awards. In general, a participant will not be subject to tax on the date of grant of another stock-based award. In general, the compensation that the participant receives pursuant to another stock-based award will be subject to tax on the date that the participant becomes vested in such award at ordinary income tax rates.

Section 162(m)

In general, Section 162(m) of the Internal Revenue Code denies a publicly held corporation a deduction for U.S. federal income tax purposes for compensation in excess of \$1,000,000 per year per person to its chief executive officer and three other officers whose compensation is required to be disclosed in its proxy statement (excluding the chief financial officer), subject to certain exceptions. The 2012 Incentive Plan is intended to satisfy an exception from Section 162(m) with respect to grants of options and stock appreciation rights. In addition, the 2012 Incentive Plan is designed to permit certain awards of restricted stocks, stock units and other awards (including cash bonus awards) to qualify under the “performance-based compensation” exception to Section 162(m) of the Code.

Human Resources Committee Interlocks and Insider Participation

The HRC is comprised of three members: Messrs. Davis, Rowan and Swann. None of these individuals is a current or former officer or employee of any of our subsidiaries. During 2011, none of our executive officers served as a director or member of a compensation committee (or other committee serving an equivalent function) of any other entity whose executive officers served as a director or member of the HRC.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Equity Compensation Plan Information

In February 2008, our Board of Directors approved the Harrah's Entertainment, Inc. Management Equity Incentive Plan and granted options to purchase our common stock to certain of our officers and employees.

The table below sets forth information regarding our equity compensation plans as of December 31, 2011.

Plan Category	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options ⁽¹⁾	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans ⁽²⁾
Management Equity Incentive Plan	8,744,649	\$ 38.15	452,274

- (1) The weighted average remaining contract life for the options set forth in this column is 7.3 years. The number of securities to be issued upon exercise of outstanding options includes 231,918 shares related to a rollover option signed within an executive on January 27, 2008, that provides for the conversion of options to purchase shares of the Company prior to the Acquisition into options to purchase shares of the Company following the Acquisitions. The rollover options are separate from the shares available under Harrah's Entertainment, Inc. Management Equity Incentive Plan.
- (2) In November 2011, the Board approved an increase in the total number of shares of common stock that may be issued pursuant to the Management Equity Incentive Plan to 8,582,876 from 7,955,573.

Ownership of Caesars Entertainment Common Stock

The following table lists the beneficial ownership of our common stock as of March 1, 2012, by Hamlet Holdings LLC, the Sponsors, the Paulson Investors, all current directors and director nominees, our named executive officers, all directors and executive officers as a group, and the percentage of shares beneficially owned by such beneficial owners. In connection with the Co-Investors Transaction, Hamlet Holdings has agreed to cause its irrevocable proxy to be terminated with respect to 24,150,456 of the Released Shares held by certain co-investors. All shares held by funds affiliated with and controlled by the Sponsors and their co-investors, representing 69.9% of our outstanding common stock are subject to an irrevocable proxy that gives Hamlet Holdings sole voting and sole dispositive power with respect to such shares.

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Name	Shares of Stock Beneficially Owned	Percentage of Class
Apollo Funds ⁽¹⁾⁽²⁾	—	—
TPG Funds ⁽¹⁾⁽³⁾⁽⁴⁾	—	—
Hamlet Holdings ⁽¹⁾⁽⁵⁾	87,605,299	69.9%
Paulson Investors ⁽⁶⁾	12,372,835	9.9%
Jeffrey Benjamin ⁽⁷⁾	—	—
David Bonderman ⁽³⁾⁽⁴⁾	—	—
Kelvin Davis ⁽⁸⁾	—	—
Jonathan S. Halkyard ⁽¹⁰⁾	125,948	*
Jeffrey T. Housenbold	—	—
Thomas M. Jenkin ⁽¹⁰⁾	170,016	*
Gary W. Loveman ⁽¹⁰⁾	1,343,110	1.1%
John W. R. Payne ⁽¹⁰⁾	113,411	*
Karl Peterson ⁽⁸⁾	—	—
Eric Press ⁽⁷⁾	—	—
Marc Rowan ⁽²⁾	—	—
David B. Sambur ⁽⁷⁾	—	—
Lynn C. Swann ⁽¹⁰⁾	2,414	*
Mary H. Thomas ⁽¹⁰⁾	45,017	*
Jinlong Wang ⁽¹⁰⁾	802	*
Christopher J. Williams ⁽¹⁰⁾	2,950	*
All directors and executive officers as a group ⁽⁹⁾⁽¹⁰⁾	1,886,640	1.5%

* Indicates less than 1%

- (1) Each of Apollo Hamlet Holdings, LLC (“Apollo Hamlet”) and Apollo Hamlet Holdings B, LLC (“Apollo Hamlet B” and together with Apollo Hamlet, the “Apollo Funds”), TPG Hamlet Holdings, LLC (“TPG Hamlet”) and TPG Hamlet Holdings B, LLC (“TPG Hamlet B,” and together with TPG Hamlet, the “TPG Funds”), and Co-Invest Hamlet Holdings B, LLC (“Co-Invest B”) and Co-Invest Hamlet Holdings, Series LLC (“Co-Invest LLC” and together with “Co-Invest B”, the “Co-Invest Funds”), have granted an irrevocable proxy (the “Irrevocable Proxy”) in respect of all of the shares of common stock held by such entity to Hamlet Holdings, irrevocably constituting and appointing Hamlet Holdings, with full power of substitution, its true and lawful proxy and attorney-in-fact to: (i) vote all of the shares of the common stock held by such entity at any meeting (and any adjournment or postponement thereof) of Caesars’ stockholders, and in connection with any written consent of Caesars’ stockholders, and (ii) direct and effect the sale, transfer or other disposition of all or any part of the shares of common stock held by that entity, if, as and when so determined in the sole discretion of Hamlet Holdings.
- (2) Apollo Hamlet, Apollo Hamlet B and the Co-Invest Funds directly hold an aggregate of 61,109,995 shares of common stock, all of which are subject to the Irrevocable Proxy. Each of Apollo Hamlet Holdings, LLC and Apollo Hamlet Holdings B, LLC is an affiliate of, and is controlled by, affiliates of Apollo. Apollo Management VI, L.P., an affiliate of Apollo, is one of two managing members of each of the Co-Invest Funds. Messrs. Black, Harris and Rowan serve as the managers of Apollo Hamlet and Apollo Hamlet B, and also serve as the executive officers and managers of Apollo and its affiliated investment managers and advisors. Messrs. Black, Harris and Rowan are also members of Hamlet Holdings. The Apollo Funds, the Co-Invest Funds, Apollo and each of its affiliates, and Messrs. Black, Harris and Rowan, each disclaim beneficial ownership of any shares of common stock beneficially owned by Hamlet Holdings pursuant to the Irrevocable Proxy, or directly held by Apollo Hamlet, Apollo Hamlet B or the Co-Invest Funds, in which such person does not have a pecuniary interest. The address of the Apollo Funds, Apollo and Apollo’s investment management affiliates, and Messrs. Black, Harris and Rowan is c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019. The address of the Co-Invest Funds is c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019 and c/o TPG Global, 301 Commerce Street, Suite 3300, Fort Worth, Texas 76102.

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- (3) The TPG Funds and the Co-Invest Funds directly hold an aggregate of 61,109,995 shares of Caesars common stock, all of which are subject to the Irrevocable Proxy. The TPG Funds disclaim beneficial ownership of the common stock held by Hamlet Holdings pursuant to the Irrevocable Proxy. The address of the TPG Funds is c/o TPG Global, 301 Commerce Street, Suite 3300, Fort Worth, Texas 76102.
- (4) David Bonderman and James G. Coulter are directors, officers and shareholders of TPG Group Holdings (SBS) Advisors, Inc., which is the general partner of TPG Group Holdings (SBS), L.P., which is the sole member of TPG Holdings I-A, LLC, which is the general partner of TPG Holdings I, L.P. which is the sole member of TPG GenPar V Advisors, LLC, which is the general partner of TPG GenPar V, L.P., which is the general partner of TPG V Hamlet AIV, L.P. which is the managing member of TPG Hamlet. TPG GenPar V, L.P. is also the managing member of TPG Hamlet B and a managing member of each of the Co-Invest Funds. Messrs. Bonderman and Coulter are also members of Hamlet Holdings. Messrs. Bonderman and Coulter disclaim beneficial ownership of the common stock held by Hamlet Holdings pursuant to the Irrevocable Proxy. The address of Messrs. Bonderman and Coulter is c/o TPG Global, 301 Commerce Street, Suite 3300, Fort Worth, Texas 76102.
- (5) All shares held by the Apollo Funds, the TPG Funds and the Co-Invest Funds, representing 69.9% of Caesars' outstanding common stock, are subject to the Irrevocable Proxy granting Hamlet Holdings sole voting and sole dispositive power with respect to such shares. The members of Hamlet Holdings are Leon Black, Joshua Harris and Marc Rowan, each of whom is affiliated with Apollo, and David Bonderman, James G. Coulter and Jonathan Coslet, each of whom is affiliated with the TPG Funds. Each member holds approximately 17% of the limited liability company interests of Hamlet Holdings.
- (6) Includes all of the common stock held by funds and accounts managed by Paulson & Co. Inc., which include Paulson Credit Opportunities Master Ltd., Paulson Recovery Master Fund Ltd., Paulson Advantage Master Ltd. and Paulson Advantage Plus Master Ltd. The address of Paulson & Co. Inc. is 1251 Avenue of the Americas, 50th Floor, New York, NY 10020.
- (7) Jeffrey Benjamin, Eric Press and David B. Sambur are each affiliated with Apollo or its affiliated investment managers and advisors. Messrs. Benjamin, Press and Sambur each disclaim beneficial ownership of the shares of common stock that are beneficially owned by Hamlet Holdings, or directly held by any of the Apollo Funds or the Co-Invest Funds. The address of Messrs. Benjamin, Press and Sambur is c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019.
- (8) Kelvin L. Davis is a TPG Senior Partner and Karl Peterson is a TPG Partner and each is an officer of Hamlet Holdings. TPG is an affiliate of (a) the TPG Funds, (b) the Co-Invest Funds, and (c) Hamlet Holdings. Each of Messrs. Davis and Peterson disclaim beneficial ownership of the securities subject to the Irrevocable Proxy. The address of Messrs. Davis and Peterson is c/o TPG Global, 301 Commerce Street, Suite 3300, Fort Worth, Texas 76102.
- (9) Unless otherwise specified, the address of each of our named executive officers is c/o Caesars Entertainment Corporation, One Caesars Palace Drive, Las Vegas, Nevada 89109.
- (10) Includes common stock that may be acquired within 60 days pursuant to outstanding stock options: Mr. Halkyard, 94,508 shares; Mr. Jenkin, 131,212 shares; Mr. Loveman, 1,081,810 shares; Mr. Payne, 91,251 shares; Ms. Thomas, 30,611 shares; Mr. Swann, 2,414 shares; Mr. Wang, 802 shares; Mr. Williams, 2,950 shares; and 1,492,399 shares for all directors and executive officers as a group.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence.

Related Party Transaction Policy

Our Board has a written related party transaction policy and procedures which gives our Audit Committee the power to approve or disapprove potential related party transactions of our directors and executive officers, their immediate family members, and entities where they hold a 5% or greater beneficial ownership interest. The Audit Committee is charged with reviewing all relevant facts and circumstances of a related party transaction, including if the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party and the extent of the person's interest in the transaction.

The policy has pre-approved the following related party transactions:

- Compensation to an executive officer or director that is reported in the company's public filings and has such been approved or recommended to the Board of Directors for approval by the Human Resources Committee or the 162(m) Plan Committee;
- Transactions where the interest arises only from (a) the person's position as a director on the related party's board; (b) direct or indirect ownership of less than 5% of the related party; or (c) the person's position as a partner with the related party and all other related parties, in the aggregate, have an interest of less than 5% interest and is not the general partner of and does not have another position in the partnership; and
- Transactions involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services.
- Any transaction where the Related Party's interest arises solely from the ownership of any class of the Company's securities and all holders of that class of the Company's securities receive the same benefit on a pro rata basis.
- Any transaction involving a Related Party where the rates or charges involved are determined by competitive bids.

A Related Party Transaction is defined as a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which the Company (including any of its subsidiaries) was, is or will be a participant and the amount involved exceeds \$120,000, and in which any Related Party had, has or will have a direct or indirect interest.

The following discussion reflects our relationships and related party transactions entered into in connection with the Acquisition and does not reflect relationships prior to that time.

Hamlet Holdings Operating Agreement

All holders of Hamlet Holdings' equity securities are parties to Hamlet Holdings' limited liability company operating agreement. The operating agreement provides, among other things, for the various responsibilities of the members. The members include Leon Black, Joshua Harris, and Marc Rowan, each of whom is affiliated with Apollo (the "Apollo Members"), and David Bonderman, James Coulter, and Jonathan Coslet, each of whom is affiliated with TPG (the "TPG Members" and, together with the Apollo Members, the "Members"). The Members have the full and exclusive right to manage Hamlet Holdings, and the consent of at least one Apollo Member and one TPG Member is required for all decisions by or on behalf of Hamlet Holdings. The operating agreement also contains customary indemnification rights.

Stockholders' Agreement

In connection with the Acquisition, Hamlet Holdings, the Sponsors and certain of their affiliates, the co-investors, and certain of their affiliates entered into a stockholders' agreement with the Company. The stockholders' agreement contains, among other things, the agreement among the stockholders to restrict their ability to transfer stock of the Company, as well as rights of first refusal, tag-along rights and drag-along rights. Pursuant to the stockholders' agreement, certain of the stockholders have, subject to certain exceptions, preemptive rights on future offerings of equity securities by the Company. The stockholders' agreement also provides the stockholders with certain rights with respect to the approval of certain matters and the designation of nominees to serve on the Board, as well as registration rights of securities of the Company that they own.

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Our Board was initially comprised of at least nine (9) directors, (i) four (4) of whom were designated by the Apollo Members and (ii) four (4) of whom were designated by the TPG Members, and (iii) one (1) of whom is the chairman. As ownership in us by either of the Sponsors decreases, the stockholders' agreement provides for the reduction in the number of directors the relevant Members can designate.

Pursuant to the stockholders' agreement, approval of our Board and at least two directors (one designated by Apollo Members and one designated by TPG Members) is required for various transactions by us, including, among other things, our liquidation, dissolution, merger, sale of all or substantially all of our assets as well as the issuance of our securities in connection with certain acquisitions and joint ventures.

The stockholders' agreement has been amended in connection with the recent public offering to prevent certain rights under the stockholders' agreement (including certain rights described above) from terminating.

Management Investor Rights Agreement

In connection with the Acquisition, the Company entered into a Management Investor Rights Agreement with certain holders of securities of the Company, including certain members of management of the Company. The agreement governs certain aspects of the Company's relationship with its management security holders. The agreement, among other things:

- restricts the ability of management security holders to transfer shares of common stock of the Company, with certain exceptions, prior to a qualified public offering;
- allows the Sponsors to require management security holders to participate in sale transactions in which the Sponsors sell more than 40% of their shares of common stock;
- allows management security holders to participate in sale transactions in which the Sponsors sell shares of common stock, subject to certain exceptions;
- allows management security holders to participate in registered offerings in which the Sponsors sell their shares of common stock, subject to certain limitations;
- allows management security holders below the level of senior vice president to require Caesars Entertainment to repurchase shares of common stock in the event that a management security holder below the level of senior vice president experiences an economic hardship prior to an initial public offering, subject to annual limits on the company's repurchase obligations;
- allows management security holders to require the Company to repurchase shares of common stock upon termination of employment without cause or for good reason; and
- allows the Company to repurchase, subject to applicable laws, all or any portion of the Company's common stock held by management security holders upon the termination of their employment with the Company or its subsidiaries, in certain circumstances.

The agreement will terminate upon the earliest to occur of the dissolution of Hamlet Holdings or the occurrence of any event that reduces the number of security holders to one.

Services Agreement

Upon the completion of the Acquisition, the Sponsors and their affiliates entered into a services agreement with us relating to the provision of certain financial and strategic advisory services and consulting services. We paid the Sponsors a one time transaction fee of \$200 million for structuring the Acquisition and will pay an annual fee for their management services and advice equal to the greater of \$30 million and 1% of our earnings before interest, taxes, depreciation and amortization. Also, under the services agreement, the Sponsors have the right to act, in return for additional fees based on a percentage of the gross transaction value, as our financial advisor or investment banker for any merger, acquisition, disposition, financing or the like if we decide we need to engage someone to fill such a role. We have agreed to indemnify the Sponsors and their affiliates and their directors, officers and representatives for losses relating to the services contemplated by the services agreement and the engagement of affiliates of the Sponsors pursuant to, and the performance by them of the services contemplated by, the services agreement.

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Currently, the annual monitoring fee payable under the services agreement would terminate automatically upon an initial public offering of our common stock (among other circumstances), and we would be required to pay to the Sponsors a lump-sum representing the remaining annual fees due to the Sponsors for the remainder of the services agreement term. If this lump-sum fee was due upon consummation of our recent public offering, we would have been required to pay an approximately \$195 million termination fee to the Sponsors. However, the Sponsors agreed that our recent offering did not trigger the termination of the services agreement or cause any termination fee to be due. The current terms and provisions, including as to periodic and termination fees, of the services agreement will continue to apply.

Sponsor Investment and Exchange Agreement

On June 3, 2010, in connection with a private placement transaction with the Paulson Investors, we entered into an investment and exchange agreement with HBC and affiliates of the Sponsors (the “Sponsor Investment and Exchange Agreement”). Pursuant to the Sponsor Investment and Exchange Agreement, on June 24, 2010, affiliates of the Sponsors acquired approximately \$303 million of certain senior notes of CEOC from HBC for aggregate consideration of approximately \$200 million. Affiliates of the Sponsors also agreed in the Sponsor Investment and Exchange Agreement to exchange up to a total of \$408 million of the notes, including the notes it purchased pursuant to the Sponsor Investment and Exchange Agreement, for 5.7% of Caesars’ equity.

Proxy

All shares of Caesars held by funds affiliated with and controlled by the Sponsors and their co-investors were made subject to a proxy in favor of Hamlet Holdings effective as of November 22, 2010. The proxy, which is irrevocable, granted Hamlet Holdings sole voting and dispositive control over all such shares. The members of Hamlet Holdings are comprised of an equal number of individuals affiliated with each of the Sponsors. In connection with our recent public offering, Hamlet Holdings has agreed to cause its irrevocable proxy to be terminated with respect to 24,150,456 of the Released Shares held by certain co-investors. After giving effect to the public offering, 69.9% of Caesars’ outstanding common stock is subject to the proxy in favor of Hamlet Holdings.

Director Independence

As of March 1, 2012, our Board was comprised of Jeffrey Benjamin, David Bonderman, Kelvin L. Davis, Jeffrey T. Housenbold, Gary W. Loveman, Karl Peterson, Eric Press, Marc Rowan, Lynn C. Swann, Christopher J. Williams, David B. Sambur, and Jinlong Wang. We are a “controlled company” under the NASDAQ corporate governance standards, and we have elected not to comply with the NASDAQ corporate governance requirement that a majority of our Board consist of independent directors. Additionally, based upon the listing standards of the NASDAQ, the national securities exchange upon which our common stock was listed on February 8, 2012, we do not believe that Messrs. Benjamin, Bonderman, Davis, Loveman, Peterson, Press, Rowan, or Sambur would be considered independent because of their relationships with certain affiliates of the funds and other entities which hold 69.9% of our outstanding voting common stock, and other relationships with us.

ITEM 14. Principal Accountant Fees and Services.
FEES PAID TO DELOITTE & TOUCHE LLP

The following table summarizes the aggregate fees paid or accrued by the Company to Deloitte & Touche LLP during 2011 and 2010:

	<u>2011</u>	<u>2010</u>
	(in thousands)	
Audit Fees (a)	\$4,840.5	\$4,975.0
Audit-Related Fees (b)	326.4	590.1
Tax Fees (c)	<u>1,217.4</u>	<u>1,719.2</u>
Total	<u>\$6,384.3</u>	<u>\$7,284.3</u>

- (a) **Audit Fees**—Fees for audit services billed in 2011 and 2010 consisted of:
- Audit of the Company’s annual financial statements, including the audits of the various subsidiaries conducting gaming operations as required by the regulations of the respective jurisdictions;
 - Sarbanes-Oxley Act, Section 404 attestation services;
 - Reviews of the Company’s quarterly financial statements; and
 - Comfort letters, statutory and regulatory audits, consents, and other services related to Securities and Exchange Commission (“SEC”) matters.
- (b) **Audit-Related Fees**—Fees for audit-related services billed in 2011 and 2010 consisted of:
- Quarterly revenue and compliance audits performed at certain of our properties as required by state gaming regulations;
 - Internal control reviews; and
 - Agreed-upon procedures engagements.
- (c) **Tax Fees**—Fees for tax services paid in 2011 and 2010 consisted of tax compliance and tax planning and advice:
- Fees for tax compliance services totaled \$817,336 and \$834,715 in 2011 and 2010, respectively. Tax compliance services are services rendered based upon facts already in existence or transactions that have already occurred to document, compute, and obtain government approval for amounts to be included in tax filings and consisted of:
 - i. Federal, state, and local income tax return assistance
 - ii. Requests for technical advice from taxing authorities
 - iii. Assistance with tax audits and appeals
 - Fees for tax planning and advice services totaled \$400,030 and \$884,450 in 2011 and 2010, respectively. Tax planning and advice are services rendered with respect to proposed transactions or that alter a transaction to obtain a particular tax result. Such services consisted of:
 - i. Tax advice related to structuring certain proposed mergers, acquisitions, and disposals
 - ii. Tax advice related to the alteration of employee benefit plans
 - iii. Tax advice related to an intra-group restructuring

	2011	2010
Memo: Ratio of Tax Planning and Advice Fees to Audit Fees, Audit-Related Fees, and Tax Compliance Fees	0.07:1	0.14:1

In considering the nature of the services provided by the independent auditor, the Audit Committee determined that such services are compatible with the provision of independent audit services. The Audit Committee discussed these services with the independent auditor and Company management to determine that they are permitted under the rules and regulations concerning auditor independence promulgated by the SEC to implement the Sarbanes-Oxley Act of 2002, as well as the American Institute of Certified Public Accountants.

The services performed by Deloitte & Touche LLP in 2011 and 2010 were pre-approved in accordance with the pre-approval policy and procedures adopted by the Audit Committee at its February 26, 2003, meeting, and amended at its April 15, 2004, meeting. This policy describes the permitted audit, audit-related, tax, and other services that Deloitte & Touche may perform. Any requests for audit services must be submitted to the Audit Committee for specific pre-approval and cannot commence until such approval has been granted. Except for such services which fall under the *de minimis* provision of the pre-approval policy, any requests for audit-related, tax, or other services also must be submitted to the Audit Committee for specific pre-approval and cannot commence until such approval has been granted. Normally, pre-approval is provided at regularly scheduled meetings. However, the authority to grant specific pre-approval between meetings, as necessary, has been delegated to the Chairperson of the Audit Committee. The Chairperson must update the Audit Committee at the next regularly scheduled meeting of any services that were granted specific pre-approval.

In addition, although not required by the rules and regulations of the SEC, the Audit Committee generally requests a range of fees associated with each proposed service. Providing a range of fees for a service incorporates appropriate oversight and control of the independent auditor relationship, while permitting the Company to receive immediate assistance from the independent auditor when time is of the essence.

The policy contains a *de minimis* provision that operates to provide retroactive approval for permissible non-audit, tax, and other services under certain circumstances. The provision allows for the pre-approval requirement to be waived if all of the following criteria are met:

1. The service is not an audit, review, or other attest service;
2. The estimated fees for such services to be provided under this provision do not exceed a defined amount of total fees paid to the independent auditor in a given fiscal year;
3. Such services were not recognized at the time of the engagement to be non-audit services; and
4. Such services are promptly brought to the attention of the Audit Committee and approved by the Audit Committee or its designee.

No fees were approved under the *de minimis* provision in 2011 or 2010.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules.

- (a) 1. Financial statements of the Company (including related notes to consolidated financial statements) filed as part of this report are listed below:
 - Report of Independent Registered Public Accounting Firm.
 - Consolidated Balance Sheets as of December 31, 2011 and 2010.
 - Consolidated Statements of Operations for the Years Ended December 31, 2011, 2010, and 2009.
 - Consolidated Statements of Stockholders' Equity/(Deficit) and Comprehensive Income/(Loss) for the Years Ended December 31, 2011, 2010, and 2009.
 - Consolidated Statements of Cash Flows for the Years Ended December 31, 2011, 2010, and 2009.
2. Schedules for the Years Ended December 31, 2011, 2010, and 2009 are as follows:
 - Schedule II—Consolidated valuation and qualifying accounts.
 - Schedules I, III, IV, and V are not applicable and have therefore been omitted.
3. Exhibits

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of Caesars Entertainment Corporation dated November 22, 2010	—	8-K	—	3.1	11/24/2010
3.2	Bylaws of Caesars Entertainment Corporation, as amended on November 22, 2010	—	8-K	—	3.2	11/24/2010
3.3	Certificate of Amendment of Certificate of Incorporation of Caesars Entertainment Operating Company, Inc. dated November 22, 2010	—	8-K	—	3.3	11/24/2010
3.4	Restated Certificate of Incorporation of Harrah's Operating Company, Inc. (f/k/a Embassy Suites, Inc.), as amended.	—	S-4	—	3.1	10/29/2008
3.5	Certificate of Amendment of Restated Certificate of Incorporation of Harrah's Operating Company, Inc.	—	10-K	12/31/2008	3.4	3/17/2009
3.6	Bylaws of Harrah's Operating Company, Inc., as amended.	—	S-4	—	3.4	10/29/2008
3.7	Second Amended and Restated Certificate of Incorporation of Caesars Entertainment Corporation	X	—	—	—	—
3.8	Amended Bylaws of Caesars Entertainment Corporation	X	—	—	—	—
4.1	Certificate of Designation of Non-Voting Perpetual Preferred Stock of Harrah's Entertainment, Inc., dated January 28, 2008.	—	S-8	—	4.4	1/31/2008
4.2	Certificate of Amendment to the Certificate of Designation of Non-Voting Perpetual Preferred Stock of Harrah's Entertainment, Inc., dated March 29, 2010.	—	8-K	—	3.1	3/30/2010

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
4.3	Certificate of Elimination of Non-Voting Perpetual Preferred Stock of Harrah's Entertainment, Inc., dated March 29, 2010.	—	8-K	—	3.2	3/30/2010
4.4	Indenture, dated as of April 11, 2003, between Park Place Entertainment Corp., as Issuer, and U.S. Bank National Association, as Trustee, with respect to the 7% Senior Notes due 2013.	—	*S-4	—	4.1	4/29/2003
4.5	First Supplemental Indenture, dated as of June 13, 2005, between Harrah's Operating Company, Inc., Caesars Entertainment, Inc. and U.S. Bank National Association, as Trustee, with respect to the 7% Senior Notes due 2013.	—	10-Q	6/30/2005	4.22	8/9/2005
4.6	Second Supplemental Indenture, dated as of July 28, 2005, among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc., as Issuer, and U.S. Bank National Association, as Trustee, to the Indenture, dated as of April 11, 2003, as amended and supplemented by a First Supplemental Indenture, dated as of June 13, 2005, with respect to the 7% Senior Notes due 2013.	—	8-K	—	4.7	8/2/2005
4.7	Indenture, dated as of December 11, 2003, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.375% Senior Notes due 2013.	—	10-K	12/31/2003	10.6	3/5/2004
4.8	Amended and Restated Indenture, dated as of July 28, 2005, among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc., as Issuer, and U.S. Bank National Association, as Trustee, relating to the Floating Rate Contingent Convertible Senior Notes due 2024.	—	8-K	—	4.8	8/2/2005
4.9	First Supplemental Indenture, dated as of September 9, 2005, to Amended and Restated Indenture, dated as of July 28, 2005, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc. as Guarantor, and U.S. Bank National Association, as Trustee, relating to the Floating Rate Contingent Convertible Senior Notes due 2024.	—	**S-3/A	—	4.7	9/19/2005
4.10	Second Supplemental Indenture, dated as of January 8, 2008, to Amended and Restated Indenture, dated as of July 28, 2005, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc. as Guarantor, and U.S. Bank National Association, as Trustee, relating to the Floating Rate Contingent Convertible Senior Notes due 2024.	—	10-K	12/31/2007	4.25	2/29/2008

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
4.11	Third Supplemental Indenture, dated as of January 28, 2008, to Amended and Restated Indenture, dated as of July 28, 2005, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc. as Guarantor, and U.S. Bank National Association, as Trustee, relating to the Floating Rate Contingent Convertible Senior Notes due 2024.	—	8-K	—	4.1	1/28/2008
4.12	Indenture, dated as of May 27, 2005, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.625% Senior Notes due 2015.	—	8-K	—	4.1	6/3/2005
4.13	First Supplemental Indenture, dated as of August 19, 2005, to Indenture, dated as of May 27, 2005, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.625% Senior Notes due 2015.	—	S-4	—	4.44	8/25/2005
4.14	Second Supplemental Indenture, dated as of September 28, 2005, to Indenture, dated as of May 27, 2005, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.625% Senior Notes due 2015.	—	8-K	—	4.4	10/3/2005
4.15	Indenture dated as of September 28, 2005, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.75% Senior Notes due 2017.	—	8-K	—	4.1	10/3/2005
4.16	Indenture, dated as of June 9, 2006, between Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. National Bank Association, as Trustee, relating to the 6.50% Senior Notes due 2016.	—	8-K	—	4.1	6/14/2006
4.17	Officers' Certificate, dated as of June 9, 2006, pursuant to Sections 301 and 303 of the Indenture dated as of June 9, 2006 between Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. National Bank Association, as Trustee, relating to the 6.50% Senior Notes due 2016.	—	8-K	—	4.2	6/14/2006
4.18	Indenture, dated as of February 1, 2008, by and among Harrah's Operating Company, Inc., the Guarantors (as defined therein) and U.S. Bank National Association, as Trustee, relating to the 10.75% Senior Cash Pay Notes due 2016 and 10.75%/11.5% Senior Toggle Notes due 2018.	—	8-K	—	10.1	2/4/2008

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
4.19	First Supplemental Indenture, dated as of June 12, 2008, by and among Harrah's Operating Company, Inc., the Guarantors (as defined therein) and U.S. Bank National Association, as Trustee, relating to the 10.75% Senior Cash Pay Notes due 2016 and 10.75%/11.5% Senior Toggle Notes due 2018.	—	10-Q	6/30/2008	4.34	8/11/2008
4.20	Second Supplemental Indenture, dated as of January 9, 2009, by and among Harrah's Operating Company, Inc., the Guarantors (as defined therein) and U.S. Bank National Association, as Trustee relating to the 10.75% Senior Notes due 2016 and 10.75%/11.5% Senior Toggle Notes due 2018.	—	10-Q	3/31/2009	4.35	5/14/2009
4.21	First Supplemental Indenture, dated as of March 26, 2009, by and among Harrah's Operating Company, Inc., the Note Guarantors (as defined therein) and U.S. Bank National Association, as Trustee relating to the 10.75% Senior Notes due 2016 and 10.75%/11.5% Senior Toggle Notes due 2018.	—	8-K	—	4.1	3/31/2009
4.22	Indenture, dated as of December 24, 2008, by and among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. Bank National Association, as Trustee, relating to the 10.00% Second-Priority Senior Secured Notes due 2018 and 10.00% Second-Priority Senior Secured Notes due 2015.	—	S-4/A	—	4.39	12/24/2008
4.23	First Supplemental Indenture, dated as of July 22, 2009, by and among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. Bank National Association, as Trustee, relating to the 10.00% Second-Priority Senior Secured Notes due 2018 and 10.00% Second-Priority Senior Secured Notes due 2015.	—	10-Q	6/30/2009	4.38	8/13/2009
4.24	Collateral Agreement, dated as of December 24, 2008, by and among Harrah's Operating Company, Inc. as Issuer, each Subsidiary of the Issuer identified therein, and U.S. Bank National Association, as Collateral Agent.	—	S-4/A	—	4.40	12/24/2008
4.25	Indenture, dated as of April 15, 2009, by and among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. Bank National Association, as trustee and collateral agent.	—	8-K	—	4.1	4/20/2009
4.26	First Supplemental Indenture, dated May 18, 2009, by and among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. Bank National Association, as trustee relating to the 10.00% Second-Priority Senior Secured Notes due 2018.	—	10-Q	6/30/2009	4.40	8/13/2009

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
4.27	Registration Rights Agreement, dated as of December 24, 2008, by and among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., Citigroup Global Markets Inc., as lead dealer manager, and Banc of America Securities LLC, as joint dealer manager.	—	8-K	—	10.3	12/30/2008
4.28	Registration Rights Agreement, dated as of April 15, 2009, by and among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., as dealer managers.	—	8-K	—	4.2	4/20/2009
4.29	Indenture, dated as of June 10, 2009, by and among Harrah's Operating Escrow LLC, Harrah's Escrow Corporation, Harrah's Entertainment, Inc. and U.S. Bank National Association, as trustee, relating to the 11.25% Senior Secured Notes due 2017.	—	8-K	—	4.1	6/15/2009
4.30	Supplemental Indenture, dated as of June 10, 2009, by and among Harrah's Operating Company, Inc. and U.S. Bank National Association, as trustee, relating to the 11.25% Senior Secured Notes due 2017.	—	8-K	—	4.2	6/15/2009
4.31	Second Supplemental Indenture, dated as of September 11, 2009, by and among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. Bank National Association, as trustee, relating to the 11.25% Senior Secured Notes due 2017.	—	8-K	—	4.1	9/17/2009
4.32	Registration Rights Agreement, dated as of June 10, 2009, by and among Harrah's Operating Escrow LLC, Harrah's Escrow Corporation, Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and Banc of America Securities LLC, as representative of the initial purchasers.	—	8-K	—	4.3	6/15/2009
4.33	Registration Rights Agreement, dated as of September 11, 2009, by and among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and J.P. Morgan Securities Inc., Banc of America Securities LLC, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC and Deutsche Bank Securities Inc., as representatives of the initial purchasers.	—	8-K	—	4.2	9/17/2009
4.34	Indenture, dated as of April 16, 2010, by and among Harrah's Operating Escrow LLC, Harrah's Escrow Corporation, Harrah's Entertainment, Inc. and U.S. Bank National Association, as trustee, relating to the 12.75% Second-Priority Senior Secured Notes due 2018.	—	8-K	—	4.1	4/22/2010

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
4.35	Registration Rights Agreement, dated as of April 16, 2010, by and among Harrah's Operating Escrow LLC, Harrah's Escrow Corporation, Harrah's Entertainment, Inc. and Citigroup Global Markets Inc., Banc of America Securities LLC, Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc. and J.P. Morgan Securities Inc, as representatives of the initial purchasers.	—	8-K	—	4.2	4/22/2010
4.36	Stockholders' Agreement, dated as of January 28, 2008, by and among Apollo Hamlet Holdings, LLC, Apollo Hamlet Holdings B, LLC, TPG Hamlet Holdings, LLC, TPG Hamlet Holdings B, LLC, Co-Invest Hamlet Holdings, Series LLC, Co-Invest Hamlet Holdings B, LLC, Hamlet Holdings LLC and Harrah's Entertainment, Inc., and, solely with respect to Sections 3.01 and 6.07, Apollo Investment Fund VI, L.P. and TPG V Hamlet AIV, L.P.	—	8-K/A	—	10.14	2/7/2008
4.37	Services Agreement, dated as of January 28, 2008, by and among Harrah's Entertainment, Inc., Apollo Management VI, L.P., Apollo Alternative Assets, L.P. and TPG Capital, L.P.	—	8-K/A	—	10.15	2/7/2008
4.38	Supplemental Indenture, dated as of May 20, 2010, by and among Harrah's Operating Company, Inc. and U.S. Bank National Association, as trustee	—	8-K	—	4.1	5/24/2010
4.39	Joinder to Registration Rights Agreement, dated as of May 20, 2010, by and among Harrah's Operating Company, Inc. and Citigroup Global Markets Inc., Banc of America Securities LLC, Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc. and J.P. Morgan Securities Inc., as representatives of the initial purchasers	—	8-K	—	4.2	5/24/2010
4.40	Financial Counseling Plan of Harrah's Entertainment, Inc., as amended January 1996.	—	10-K	12/31/1995	10.22	3/6/1996
4.41	Registration Rights Agreement, dated as of February 14, 2012, by and among Caesars Operating Escrow LLC, Caesars Escrow Corporation, Caesars Entertainment Corporation and J.P. Morgan Securities LLC, as representative of the initial purchasers.	—	8-K	—	4.2	2/15/2012
4.42	Indenture, dated as of February 14, 2012, by and among Caesars Operating Escrow LLC, Caesars Escrow Corporation, Caesars Entertainment Corporation and U.S. Bank National Association, as trustee.	—	8-K	—	4.1	2/15/2012

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference		
			Form	Period Ending	Filing Date
4.43	Indenture dated as of February 3, 2012 among Chester Downs and Mariana, LLC, a Pennsylvania limited liability company, Chester Downs Finance Corp., and, together with the Company, Subsidiary Guarantors party hereto from time to time, U.S. Bank National Association, as trustee and U.S. Bank National Association, as collateral agent.	X			
4.44	Supplemental Indenture, dated as of March 1, 2012, by and among Caesars Entertainment Operating Company, Inc. and U.S. Bank National Association, as trustee.		8-K		3/2/2012
4.45	Joinder to Registration Rights Agreement, dated as of March 1, 2012, by and among Caesars Entertainment Operating Company, Inc. and J.P. Morgan Securities LLC, as representative of the initial purchasers.		8-K		3/2/2012
10.1	Credit Agreement, dated as of January 28, 2008, by and among Hamlet Merger Inc., Harrah's Operating Company, Inc. as Borrower, the Lenders party thereto from time to time, Bank of America, N.A., as Administrative Agent and Collateral Agent, Deutsche Bank AG New York Branch, as Syndication Agent, and Citibank, N.A., Credit Suisse, Cayman Islands Branch, JPMorgan Chase Bank, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman Sachs Credit Partners L.P., Morgan Stanley Senior Funding, Inc., and Bear Sterns Corporate Lending, Inc., as Co-Documentation Agents.	—	8-K/A	—	2/7/2008
10.2	Amendment and Waiver to Credit Agreement, dated as of June 3, 2009, among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., the lenders from time to time party thereto (the "Lenders"), Bank of America, N.A. as administrative agent, and the other parties thereto.	—	8-K/A	—	6/11/2009
10.3	Incremental Facility Amendment, dated as of September 26, 2009 to the Credit Agreement dated as of January 28, 2008.	—	8-K	—	9/29/2009
10.4	Amended and Restated Collateral Agreement dated and effective as of January 28, 2008 (as amended and restated on June 10, 2009), among Harrah's Operating Company, Inc., each Subsidiary Party that is party thereto and Bank of America, N.A., as Collateral Agent.	—	8-K	—	6/15/2009
10.5	Amended and Restated Guaranty and Pledge Agreement dated and effective as of January 28, 2008 (as amended and restated on June 10, 2009), made by Harrah's Entertainment, Inc. (as successor to Hamlet Merger Inc.) in favor of Bank of America, N.A., as Administrative Agent and Collateral Agent.	—	8-K	—	6/15/2009

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
10.6	Intercreditor Agreement, dated as of January 28, 2008 by and among Bank of America, N.A. as administrative agent and collateral agent under the Credit Agreement, Citibank, N.A. as administrative agent under the Bridge-Loan Agreement and U.S. Bank National Association as Trustee under the Indenture.	—	10-K	12/31/2008	10.3	3/17/2009
10.7	Intercreditor Agreement, dated as of December 24, 2008 among Bank of America, N.A. as Credit Agreement Agent, each Other First Priority Lien Obligations Agent from time to time, U.S. Bank National Association as Trustee and each collateral agent for any Future Second Lien Indebtedness from time to time.	—	10-K	12/31/2008	10.4	3/17/2009
10.8	Joinder and Supplement to the Intercreditor Agreement, dated as of April 15, 2009 by and among U.S. Bank National Association, as new trustee, U.S. Bank National Association, as Trustee under the Intercreditor Agreement, Bank of America, N.A., as Credit Agreement Agent under the Intercreditor Agreement, and any other First Lien Agent and Second Priority Agent from time to time party to the Intercreditor Agreement.	—	8-K	—	10.1	4/20/2009
10.9	First Lien Intercreditor Agreement, dated as of June 10, 2009, by and among Bank of America, N.A., as collateral agent for the First Lien Secured Parties and as Authorized Representative for the Credit Agreement Secured Parties, U.S. Bank National Association, as Authorized Representative for the Initial Other First Lien Secured Parties, and each additional Authorized Representative from time to time party to the First Lien Intercreditor Agreement.	—	8-K/A	—	10.1	6/11/2009
10.10	Joinder and Supplement to Intercreditor Agreement, by and among U.S. Bank National Association, as new trustee, U.S. Bank National Association, as Trustee under the Intercreditor Agreement, Bank of America, N.A., as Credit Agreement Agent under the Intercreditor Agreement, U.S. Bank National Association as a Second Priority Agent under the Intercreditor Agreement and any other First Lien Agent and Second Priority Agent from time to time party to the Intercreditor Agreement.	—	10-K	12/31/2008	10.4	3/17/2009

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference		
			Form	Period Ending	Filing Date
10.11	Joinder and Supplement to the Intercreditor Agreement, dated as of September 11, 2009 by and among U.S. Bank National Association, as new trustee, U.S. Bank National Association, as Trustee under the Intercreditor Agreement, Bank of America, N.A., as Credit Agreement Agent under the Intercreditor Agreement, and any other First Lien Agent and Second Priority Agent from time to time party to the Intercreditor Agreement.	—	8-K	—	10.1 9/17/2009
10.12	Other First Lien Secured Party Consent, dated as of September 11, 2009, by U.S. Bank National Association, as agent or trustee for persons who shall become “Secured Parties” under the Amended and Restated Collateral Agreement dated and effective as of January 28, 2008 (as amended and restated on June 10, 2009).	—	8-K	—	10.2 9/17/2009
10.13	Other First Lien Secured Party Consent, dated as of September 11, 2009, by U.S. Bank National Association, as agent or trustee for persons who shall become “Secured Parties” under the Amended and Restated Guaranty and Pledge Agreement dated and effective as of January 28, 2008 (as amended and restated on June 10, 2009).	—	8-K	—	10.3 9/17/2009
10.14	Amended and Restated Loan Agreement, dated as of February 19, 2010, between PHW Las Vegas, LLC and Wells Fargo Bank, N.A. as trustee for the Credit Suite First Boston Mortgage Securities Corp. Commercial Pass-Through Certificates, Series 2007-TFL2.	—	10-Q	3/31/2010	10.24 5/10/2010
10.15	Guaranty Agreement, dated February 19, 2010, by and between Harrah’s Entertainment, Inc. and Wells Fargo Bank, N.A., as trustee for The Credit Suisse First Boston Mortgage Securities Corp. Commercial Mortgage Pass-Through Certificates, series 2007-TFL2.	—	8-K	—	99.1 2/25/2010
†10.16	Employment Agreement, made as of January 28, 2008, and amended on March 13, 2009, by and between Harrah’s Entertainment, Inc. and Gary W. Loveman.	—	10-K	12/31/2008	10.16 3/17/2009
†10.17	Rollover Option Agreement, dated as of January 28, 2008, by and between Harrah’s Entertainment, Inc. and Gary W. Loveman.	—	8-K	—	10.18 2/7/2008
10.18	Summary Plan Description of Executive Term Life Insurance Plan.	—	10-K	12/31/1996	10.25 3/6/1996
†10.19	Harrah’s Entertainment, Inc. 2009 Senior Executive Incentive Plan, effective January 1, 2009.	—	8-K	—	10.2 12/15/2008

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
10.20	Trust Agreement dated June 20, 2001 by and between Harrah's Entertainment, Inc. and Wells Fargo Bank Minnesota, N.A.	—	10-Q	9/30/2001	10.4	11/9/2001
10.21	Escrow Agreement, dated February 6, 1990, by and between The Promus Companies Incorporated, certain subsidiaries thereof, and Sovran Bank, as escrow agent	—	10-K	12/29/1989	Unknown	3/28/1990
10.22	Amendment to Escrow Agreement dated as of October 29, 1993 among The Promus Companies Incorporated, certain subsidiaries thereof, and NationsBank, formerly Sovran Bank.	—	10-K	12/31/1993	10.66	3/28/1994
10.23	Amendment, dated as of June 7, 1995, to Escrow Agreement among The Promus Companies Incorporated, certain subsidiaries thereof and NationsBank.	—	8-K	—	10.12	6/15/1995
10.24	Amendment, dated as of July 18, 1996, to Escrow Agreement between Harrah's Entertainment, Inc. and NationsBank.	—	10-Q	9/30/1996	10.1	11/12/1996
10.25	Amendment, dated as of October 30, 1997, to Escrow Agreement between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc. and NationsBank.	—	10-K	12/31/1997	10.82	3/10/1998
10.26	Amendment to Escrow Agreement, dated April 26, 2000, between Harrah's Entertainment, Inc. and Wells Fargo Bank Minnesota, N.A., Successor to Bank of America, N.A.	—	10-Q	9/30/2000	10.8	11/13/2000
10.27	Letter Agreement with Wells Fargo Bank Minnesota, N.A., dated August 31, 2000, concerning appointment as Escrow Agent under Escrow Agreement for deferred compensation plans.	—	10-Q	9/30/2000	10.7	11/13/2000
†10.28	Harrah's Entertainment, Inc. Amended and Restated Executive Deferred Compensation Trust Agreement dated January 11, 2006 by and between Harrah's Entertainment, Inc. and Wells Fargo Bank, N.A.	—	10-K	12/31/2007	10.41	2/29/2008
†10.29	Amendment to the Harrah's Entertainment, Inc. Amended and Restated Executive Deferred Compensation Trust Agreement effective January 28, 2008 by and between Harrah's Entertainment, Inc. and Wells Fargo Bank, N.A.	—	10-K	12/31/2007	10.42	2/29/2008
†10.30	Amendment and Restatement of Harrah's Entertainment, Inc. Executive Deferred Compensation Plan, effective August 3, 2007.	—	10-Q	6/30/2007	10.69	8/9/2007
†10.31	Amendment and Restatement of Harrah's Entertainment, Inc. Deferred Compensation Plan, effective as of August 3, 2007.	—	10-Q	6/30/2007	10.70	8/9/2007

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
†10.32	Amendment and Restatement of Park Place Entertainment Corporation Executive Deferred Compensation Plan, effective as of August 3, 2007.	—	10-Q	6/30/2007	10.71	8/9/2007
†10.33	Amendment and Restatement of Harrah’s Entertainment, Inc. Executive Supplemental Savings Plan, effective as of August 3, 2007.	—	10-Q	6/30/2007	10.72	8/9/2007
†10.34	Amendment and Restatement of Harrah’s Entertainment, Inc. Executive Supplemental Savings Plan II, effective as of August 3, 2007.	—	10-Q	6/30/2007	10.73	8/9/2007
†10.35	First Amendment to the Amendment and Restatement of Harrah’s Entertainment, Inc. Amendment and Restatement of Harrah’s Entertainment, Inc. Executive Supplemental Savings Plan II, effective as of February 9, 2009.	—	8-K	—	10.2	2/13/2009
†10.36	Stock Option Grant Agreement dated February 27, 2008 between Gary W. Loveman and Harrah’s Entertainment, Inc.	—	10-Q	6/30/2008	10.52	8/11/2008
†10.37	Stock Option Grant Agreement dated February 27, 2008 between Jonathan S. Halkyard and Harrah’s Entertainment, Inc.	—	10-Q	6/30/2008	10.54	8/11/2008
†10.38	Stock Option Grant Agreement dated February 27, 2008 between Thomas M. Jenkin and Harrah’s Entertainment, Inc.	—	10-Q	6/30/2008	10.56	8/11/2008
†10.39	Form of Stock Option Grant Agreement dated July 1, 2008 between Harrah’s Entertainment, Inc. and each of Lynn C. Swann and Christopher J. Williams.	—	10-Q	6/30/2008	10.57	8/11/2008
†10.40	Form of Stock Option Grant Agreement dated March 1, 2010 between Harrah’s Entertainment, Inc. and each of Thomas M. Jenkin, John W. R. Payne, Peter E. Murphy, and Mary H. Thomas.	—	10-K	12/31/2009	10.61	3/9/2010
10.41	Joinder and Supplement to the Intercreditor Agreement, dated as of May 20, 2010, by and among U.S. Bank National Association, as new trustee, U.S. Bank National Association, as second priority agent, Bank of America, N.A., as credit agreement agent and U.S. Bank national Association, as other first priority lien obligations agent.	—	8-K	—	10.1	5/24/2010
10.42	Additional Secured Party Consent, dated as of May 20, 2010, by U.S. Bank National Association, as agent or trustee for persons who shall become “Secured Parties” under the Collateral Agreement dated as of December 24, 2008.	—	8-K	—	10.2	5/24/2010
10.43	Investment and Exchange Agreement, dated as of June 3, 2010, among Harrah’s Entertainment, Inc., Harrah’s BC, Inc. and Paulson & Co, Inc., on behalf of the several investment funds and accounts managed by it.	—	8-K	—	10.1	6/7/2010

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
10.44	Investment and Exchange Agreement, dated as of June 3, 2010, among Harrah's Entertainment, Inc., Harrah's BC, Inc. Apollo Management VI, L.P., on behalf of certain affiliated investment funds, and TPG Capital, L.P., on behalf of certain affiliated investment funds.	—	8-K	—	10.1	6/7/2010
10.45	Second Amended and Restated Loan Agreement dated as of August 31, 2010, among Harrah's Las Vegas Propco, LLC, Harrah's Atlantic City Propco, LLC, Rio Propco, LLC, Flamingo Las Vegas Propco, LLC, Harrah's Laughlin Propco, LLC, and Paris Las Vegas Propco, LLC, as Borrower, JPMorgan Chase Bank, N.A., Bank of America, N.A., Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Merrill Lynch Mortgage Lending, Inc., Goldman Sachs Mortgage Company, Morgan Stanley Mortgage Capital Holdings LLC, German American Capital Corporation, and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.1	9/3/2010
10.46	Second Amended and Restated First Mezzanine Loan Agreement dated as of August 31, 2010, among Harrah's Las Vegas Mezz 1, LLC, Harrah's Atlantic City Mezz 1, LLC, Rio Mezz 1, LLC, Flamingo Las Vegas Mezz 1, LLC, Harrah's Laughlin Mezz 1, LLC, and Paris Las Vegas Mezz 1, LLC, as Borrower, JPMorgan Chase Bank, N.A., Bank of America, N.A., Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Merrill Lynch Mortgage Lending, Inc., Goldman Sachs Mortgage Company, Blackstone Special Funding (Ireland), and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.2	9/3/2010
10.47	Second Amended and Restated Second Mezzanine Loan Agreement dated as of August 31, 2010, among Harrah's Las Vegas Mezz 2, LLC, Harrah's Atlantic City Mezz 2, LLC, Rio Mezz 2, LLC, Flamingo Las Vegas Mezz 2, LLC, Harrah's Laughlin Mezz 2, LLC, and Paris Las Vegas Mezz 2, LLC, as Borrower, JPMorgan Chase Bank, N.A., Bank of America, N.A., Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Merrill Lynch Mortgage Lending, Inc., Goldman Sachs Mortgage Company, Blackstone Special Funding (Ireland), and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.3	9/3/2010

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			Filing Date
			Form	Period Ending	Exhibit	
10.48	Second Amended and Restated Third Mezzanine Loan Agreement dated as of August 31, 2010, among Harrah's Las Vegas Mezz 3, LLC, Harrah's Atlantic City Mezz 3, LLC, Rio Mezz 3, LLC, Flamingo Las Vegas Mezz 3, LLC, Harrah's Laughlin Mezz 3, LLC, and Paris Las Vegas Mezz 3, LLC, as Borrower, JPMorgan Chase Bank, N.A., Bank of America, N.A., Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Merrill Lynch Mortgage Lending, Inc., Goldman Sachs Mortgage Company, Blackstone Special Funding (Ireland), and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.4	9/3/2010
10.49	Second Amended and Restated Fourth Mezzanine Loan Agreement dated as of August 31, 2010, among Harrah's Las Vegas Mezz 4, LLC, Harrah's Atlantic City Mezz 4, LLC, Rio Mezz 4, LLC, Flamingo Las Vegas Mezz 4, LLC, Harrah's Laughlin Mezz 4, LLC, and Paris Las Vegas Mezz 4, LLC, as Borrower, JPMorgan Chase Bank, N.A., Bank of America, N.A., Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Merrill Lynch Mortgage Lending, Inc., Goldman Sachs Mortgage Company, Blackstone Special Funding (Ireland), and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.5	9/3/2010
10.50	Second Amended and Restated Fifth Mezzanine Loan Agreement dated as of August 31, 2010, among Harrah's Las Vegas Mezz 5, LLC, Harrah's Atlantic City Mezz 5, LLC, Rio Mezz 5, LLC, Flamingo Las Vegas Mezz 5, LLC, Harrah's Laughlin Mezz 5, LLC, and Paris Las Vegas Mezz 5, LLC, as Borrower, Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Goldman Sachs Mortgage Company, Blackstone Special Funding (Ireland), German American Capital Corporation, and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.6	9/3/2010
10.51	Second Amended and Restated Sixth Mezzanine Loan Agreement dated as of August 31, 2010, among Harrah's Las Vegas Mezz 6, LLC, Harrah's Atlantic City Mezz 6, LLC, Rio Mezz 6, LLC, Flamingo Las Vegas Mezz 6, LLC, Harrah's Laughlin Mezz 6, LLC, and Paris Las Vegas Mezz 6, LLC, as Borrower, Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Goldman Sachs Mortgage Company, German American Capital Corporation, and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.7	9/3/2010

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
10.52	Second Amended and Restated Seventh Mezzanine Loan Agreement dated as of August 31, 2010, among Harrah's Las Vegas Mezz 7, LLC, Harrah's Atlantic City Mezz 7, LLC, Rio Mezz 7, LLC, Flamingo Las Vegas Mezz 7, LLC, Harrah's Laughlin Mezz 7, LLC, and Paris Las Vegas Mezz 7, LLC, as Borrower, Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Goldman Sachs Mortgage Company, and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.8	9/3/2010
10.53	Second Amended and Restated Eighth Mezzanine Loan Agreement dated as of August 31, 2010, among Harrah's Las Vegas Mezz 8, LLC, Harrah's Atlantic City Mezz 8, LLC, Rio Mezz 8, LLC, Flamingo Las Vegas Mezz 8, LLC, Harrah's Laughlin Mezz 8, LLC, and Paris Las Vegas Mezz 8, LLC, as Borrower, Goldman Sachs Mortgage Company, and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.9	9/3/2010
10.54	Second Amended and Restated Ninth Mezzanine Loan Agreement dated as of August 31, 2010, among Harrah's Las Vegas Mezz 9, LLC, Harrah's Atlantic City Mezz 9, LLC, Rio Mezz 9, LLC, Flamingo Las Vegas Mezz 9, LLC, Harrah's Laughlin Mezz 9, LLC, and Paris Las Vegas Mezz 9, LLC, as Borrower, Goldman Sachs Mortgage Company, and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.10	9/3/2010
10.55	Note Sales Agreement dated as of August 31, 2010, among each first mezzanine lender, each second mezzanine lender, each third mezzanine lender, fourth mezzanine lender, fifth mezzanine lender, sixth mezzanine lender, seventh mezzanine lender, eighth mezzanine lender and ninth mezzanine lender, and specified mezzanine lender, Harrah's Entertainment, Inc., each Mortgage Loan Borrower, each Mezzanine Borrower and each Operating Company.	—	8-K	—	10.11	9/3/2010
10.56	Form of Management Agreement entered into between each Mortgage Loan Borrower and its respective Operating Company.	—	8-K	—	10.12	9/3/2010
10.57	Form of Amended and Restated Operating Lease (Hotel Component) entered into between each Mortgage Loan Borrower, its respective Operating Company and its respective Management Company.	—	8-K	—	10.13	9/3/2010
10.58	Form of Amended and Restated Operating Lease (Casino Component) entered into between each Mortgage Loan Borrower, its respective Operating Company and its respective Management Company.	—	8-K	—	10.14	9/3/2010

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			Filing Date
			Form	Period Ending	Exhibit	
10.59	Agreement Among Mortgage Noteholders, dated August 31, 2010, among JPMorgan Chase Bank, N.A., as Note A-1 Holder, Bank of America, N.A., as Note A-2 Holder, Citibank, N.A., as Note A-3 Holder, Credit Suisse, Cayman Islands Branch, as Note A-4 Holder, German American Capital Corporation, as Note A-5 Holder, Merrill Lynch Mortgage Lending, Inc., as Note A-6 Holder, JP Morgan Chase Bank, N.A., as Note A-7 Holder, Goldman Sachs Mortgage Company, as Note A-9 Holder, Bank of America, N.A., as Collateral Agent, and Bank of America, N.A. as Servicer.	—	8-K	—	10.15	9/3/2010
10.60	Agreement Among First Mezzanine Noteholders, dated August 31, 2010, among JPMorgan Chase Bank, N.A., Bank of America, N.A., Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Merrill Lynch Mortgage Lending, Inc., Goldman Sachs Mortgage Company, Blackstone Special Funding (Ireland), and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.16	9/3/2010
10.61	Agreement Among Second Mezzanine Noteholders, dated August 31, 2010, among JPMorgan Chase Bank, N.A., Bank of America, N.A., Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Merrill Lynch Mortgage Lending, Inc., Goldman Sachs Mortgage Company, Blackstone Special Funding (Ireland), and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.17	9/3/2010
10.62	Agreement Among Third Mezzanine Noteholders, dated August 31, 2010, among JPMorgan Chase Bank, N.A., Bank of America, N.A., Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Merrill Lynch Mortgage Lending, Inc., Goldman Sachs Mortgage Company, Blackstone Special Funding (Ireland), and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.18	9/3/2010
10.63	Agreement Among Fourth Mezzanine Noteholders, dated August 31, 2010, among JPMorgan Chase Bank, N.A., Bank of America, N.A., Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Merrill Lynch Mortgage Lending, Inc., Goldman Sachs Mortgage Company, Blackstone Special Funding (Ireland), and Bank of America, N.A., as Collateral Agent. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K filed on September 3, 2010.)	—	8-K	—	10.19	9/3/2010

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			Filing Date
			Form	Period Ending	Exhibit	
10.64	Agreement Among Fifth Mezzanine Noteholders, dated August 31, 2010, among Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Goldman Sachs Mortgage Company, Blackstone Special Funding (Ireland), German American Capital Corporation, and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.20	9/3/2010
10.65	Agreement Among Sixth Mezzanine Noteholders, dated August 31, 2010, among Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Goldman Sachs Mortgage Company, German American Capital Corporation, and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.21	9/3/2010
10.66	Agreement Among Seventh Mezzanine Noteholders, dated August 31, 2010, among Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Goldman Sachs Mortgage Company, and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.22	9/3/2010
10.67	Intercreditor Agreement, dated August 31, 2010, among the senior lender, first mezzanine lender, second mezzanine lender, third mezzanine lender, fourth mezzanine lender, fifth mezzanine lender, sixth mezzanine lender, seventh mezzanine lender, eighth mezzanine lender, and ninth mezzanine lender.	—	8-K	—	10.23	9/3/2010
†10.68	Form of Indemnification Agreement entered into by Caesars Entertainment Corporation and each of its directors and executive officers.	—	S-1	—	10.75	11/16/2010
10.69	Irrevocable Proxy of Hamlet Holdings LLC, dated November 22, 2010	—	8-K	—	10.1	11/24/2010
10.70	Amended and Restated Management Investors Rights Agreement, dated November 22, 2010	—	8-K	—	10.2	11/24/2010
10.71	Registration Rights Agreement, dated as of November 23, 2010, by and between Caesars Entertainment Corporation and Paulson & Co. Inc., on behalf of the several investment funds and accounts managed by it	—	8-K	—	10.3	11/24/2010
10.72	Credit Agreement dated as of April 25, 2011 between the Company, the Borrowers, the lenders (as defined therein) party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent for the lenders.	—	8-K	—	10.1	4/27/2011
10.73	Completion Guarantee dated as of April 25, 2011 by the Company in favor of JPMorgan Chase Bank, N.A., as administrative agent and collateral agent for the lenders (as defined therein).	—	8-K	—	10.2	4/27/2011

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
10.74	Disbursement Agreement dated as of April 25, 2011 between the Borrowers, JPMorgan Chase Bank, N.A. as disbursement agent and agent and Fulcrum LLC as construction consultant.	—	8-K	—	10.3	4/27/2011
10.75	Amendment Agreement dated as of May 16, 2011, among Caesars Entertainment Corporation, Caesars Entertainment Operating Company, Inc. each Subsidiary Loan Party party thereto, the lenders party thereto and Bank of America, N.A., as administrative agent under the Credit Agreement dated as of January 28, 2008, among Caesars Entertainment Corporation, Caesars Entertainment Operating Company, Inc., the lenders party thereto from time to time and the other parties party thereto.	—	8-K/A	—	10.1	5/23/2011
†10.76	Caesars Entertainment Corporation Management Equity Incentive Plan, as amended and restated on November 29, 2011.	—	S-1/A	—	10.78	12/28/2011
†10.77	Form of Stock Option Grant Agreement dated March 1, 2010 between Harrah's Entertainment, Inc. and Gary W. Loveman.	—	S-1/A	—	10.79	12/28/2011
†10.78	Form of Stock Option Grant Agreement dated March 1, 2010 between Harrah's Entertainment, Inc. and Jonathan S. Halkyard.	—	S-1/A	—	10.80	12/28/2011
†10.79	Form of Stock Option Grant Agreement dated November 29, 2011 between Caesars Entertainment Corporation and Gary W. Loveman.	—	S-1/A	—	10.81	12/28/2011
†10.80	Form of Stock Option Grant Agreement dated November 29, 2011 between Caesars Entertainment Corporation and Jonathan S. Halkyard.	—	S-1/A	—	10.82	12/28/2011
†10.81	Form of Stock Option Grant Agreement dated November 29, 2011 between Caesars Entertainment Corporation and each of Thomas M. Jenkin, John W. R. Payne and Mary H. Thomas.	—	S-1/A	—	10.83	12/28/2011
†10.82	Form of Employment Agreement between Caesars Entertainment Operating Company, Inc., and Jonathan S. Halkyard, Thomas M. Jenkin, and John W. R. Payne.	—	8-K	—	10.1	1/9/2012
†10.83	Employment Agreement, made as of January 31, 2011, by and between Caesars Entertainment Operating Company, Inc. and Mary H. Thomas.	—	S-1/A	—	10.84	1/27/2012
†10.84	Stock Option Grant Agreement dated February 27, 2008 between Mary H. Thomas and Harrah's Entertainment, Inc.	—	S-1/A	—	10.85	1/27/2012
†10.85	Stock Option Grant Agreement dated February 24, 2009 between Mary H. Thomas and Harrah's Entertainment, Inc.	—	S-1/A	—	10.86	1/27/2012
†10.86	Caesars Entertainment Corporation 2012 Performance Incentive Plan.	—	S-1/A	—	10.89	2/2/2012

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
10.87	Form of Release and Contribution Agreement, dated as of January 25, 2012, by and among Caesars Entertainment Corporation, Co-Invest Hamlet Holdings, Series LLC, Co-Invest Hamlet Holdings B, LLC and the Participating Co-Investors listed on Schedule I.	—	S-1/A	—	10.90	2/2/2012
10.88	Form of First Amendment to the Stockholders' Agreement by and among Apollo Hamlet Holdings, LLC, Apollo Hamlet Holdings B, LLC, TPG Hamlet Holdings, LLC, TPG Hamlet Holdings B, LLC, Co-Invest Hamlet Holdings, Series LLC, Co-Invest Hamlet Holdings B, LLC, Hamlet Holdings LLC and Caesars Entertainment Corporation.	—	S-1/A	—	10.91	2/2/2012
10.89	Form of Acknowledgment to the Services Agreement among Caesars Entertainment Corporation, Apollo Management VI, L.P., Apollo Alternative Assets, L.P. and TPG Capital, L.P.	—	S-1/A	—	10.92	2/2/2012
10.90	Escrow Agreement, dated as of February 14, 2012, by and among Caesars Operating Escrow LLC, Caesars Escrow Corporation, U.S. Bank National Association, as escrow agent and securities intermediary and U.S. Bank National Association, as trustee.	—	8-K	—	10.1	2/15/2012
†10.91	Form of Caesars Entertainment Corporation 2012 Performance Incentive Plan Nonqualified Option Award Agreement	X	—	—	—	—
10.92	Amendment Agreement, dated as of March 1, 2012, among Caesars Entertainment Corporation, Caesars Entertainment Operating Company, Inc. each Subsidiary Loan Party party thereto, the lenders party thereto and Bank of America, N.A., as administrative agent under the Amended and Restated Credit Agreement dated as of May 20, 2011, among Caesars Entertainment Corporation, Caesars Entertainment Operating Company, Inc., the lenders party thereto from time to time and the other parties party thereto.		8-K		10.1	3/2/2012
10.93	Reaffirmation Agreement, dated as of March 1, 2012, among Caesars Entertainment Corporation, Caesars Entertainment Operating Company, Inc. each Subsidiary Loan Party party thereto, the lenders party thereto and Bank of America, N.A., as administrative agent under the Amended and Restated Credit Agreement dated as of May 20, 2011, among Caesars Entertainment Corporation, Caesars Entertainment Operating Company, Inc., the lenders party thereto from time to time and the other parties party thereto.		8-K		10.2	3/2/2012
10.94	Joinder and Supplement to the Intercreditor Agreement, dated as of March 1, 2012, by and among U.S. Bank National Association, as new trustee, U.S. Bank National Association, as second priority agent, Bank of America, N.A., as credit agreement agent and U.S. Bank National Association, as other first priority lien obligations agent.		8-K		10.3	3/2/2012

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
10.95	Other First Lien Secured Party Consent to the Collateral Agreement, dated as of March 1, 2012, by U.S. Bank National Association, as agent or trustee for persons who shall become “Secured Parties” under the Collateral Agreement dated as of January 28, 2008, as amended and restated as of June 10, 2009.		8-K		10.4	3/2/2012
10.96	Other First Lien Secured Party Consent to the Guaranty and Pledge Agreement, dated as of March 1, 2012, by U.S. Bank National Association, as agent or trustee for persons who shall become “Secured Parties” under the Guaranty and Pledge Agreement dated as of January 28, 2008, as amended and restated as of June 10, 2009.		8-K		10.5	3/2/2012
12	Computation of Ratios.	X	—	—	—	—
14	Harrah’s Entertainment, Inc. Code of Business Conduct and Ethics for Principal Officers, adopted February 26, 2003.	—	10-K	12/31/2002	14	3/9/2003
21	List of subsidiaries of Caesars Entertainment Corporation.	X	—	—	—	—
23	Consent of Deloitte & Touche LLP, independent registered public accounting firm.	X	—	—	—	—
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated March 14, 2012.	X	—	—	—	—
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated March 14, 2012.	X	—	—	—	—
32.1	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated March 14, 2012.	X	—	—	—	—
32.2	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated March 14, 2012.	X	—	—	—	—
99.1	Supplemental Discussion of Pro Forma Caesars Entertainment Operating Company, Inc. Financial Results	X	—	—	—	—
99.2	Supplemental Discussion of Caesars Commercial Mortgage-Backed Securities Related Properties Financial Results	X	—	—	—	—
99.3	Gaming and Regulatory Overview	X	—	—	—	—
***101	The following financial statements from the Company’s Form 10-K for the year ended December 31, 2011, formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Cash Flows (iv) Consolidated Statement of Stockholders’ Equity and Comprehensive Loss (v) Notes to Consolidated Financial Statements.					

† Management contract or compensatory plan or arrangement required to be filed as an exhibit to the Form pursuant to Item 15(a)(3) of Form 10-K.

* Filed by Park Place Entertainment Corporation

** Filed by Harrah’s Entertainment, Inc.

*** Furnished herewith.

CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

(In millions)

Description	Balance at Beginning of Period	Additions		Deductions from Reserves	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts		
YEAR ENDED DECEMBER 31, 2011					
Allowance for doubtful accounts					
Current	\$ 216.3	\$ 49.4	\$ —	\$ (63.4) ^(a)	\$ 202.3
Long-term	\$ 0.3	\$ —	\$ —	\$ —	\$ 0.3
Liability to sellers under acquisition agreement ^(b)	\$ 1.2	\$ —	\$ —	\$ (0.1)	\$ 1.1
YEAR ENDED DECEMBER 31, 2010					
Allowance for doubtful accounts					
Current	\$ 207.1	\$ 66.1	\$ —	\$ (56.9) ^(a)	\$ 216.3
Long-term	\$ 0.3	\$ —	\$ —	\$ —	\$ 0.3
Liability to sellers under acquisition agreement ^(b)	\$ 1.4	\$ —	\$ —	\$ (0.2)	\$ 1.2
YEAR ENDED DECEMBER 31, 2009					
Allowance for doubtful accounts					
Current	\$ 201.4	\$ 72.1	\$ 13.1	\$ (79.5) ^(a)	\$ 207.1
Long-term	\$ 0.3	\$ —	\$ —	\$ —	\$ 0.3
Liability to sellers under acquisition agreement ^(b)	\$ 1.6	\$ —	\$ —	\$ (0.2)	\$ 1.4

(a) Uncollectible accounts written off, net of amounts recovered.

(b) We acquired Players International, Inc., (“Players”) in March 2000. In 1995, Players acquired a hotel and land adjacent to its riverboat gaming facility in Lake Charles, Louisiana, for cash plus future payments to the seller based on the number of passengers boarding the riverboat casinos during a defined term. In accordance with the guidance provided by ASC 805 regarding the recognition of liabilities assumed in a business combination accounted for as a purchase, Players estimated the net present value of the future payments to be made to the sellers and recorded that amount as a component of the total consideration paid to acquire these assets. Our recording of this liability in connection with the purchase price allocation process following the Players acquisition was originally reported in 2000. Our casino operations in Lake Charles sustained significant damage in late third quarter 2005 as a result of Hurricane Rita. As a result of hurricane damage, and upon the Company’s subsequent decision to scale back operations in Lake Charles and ultimately sell the property, the current and long-term portions of this obligation were written down in fourth quarter 2005; the credit was included in Discontinued operations on our Consolidated Statements of Operations. We sold Harrah’s Lake Charles in fourth quarter 2006. Prior to the sale, the current and long-term portions of this obligation were included in Liabilities held for sale on our Consolidated Balance Sheets. The remaining long-term portion of this liability is included in Deferred credits and other on our Consolidated Balance Sheets; the current portion of this obligation is included in Accrued expenses on our Consolidated Balance Sheets.

SIGNATURES

Pursuant to the requirements of Section 13 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 ENTERTAINMENT CORPORATION

March 14, 2012

By: /s/ GARY W. LOVEMAN
Gary W. Loveman
Chairman of the Board,
Chief Executive Officer, and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

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Signature	Title	Date
/s/ JEFFREY BENJAMIN Jeffrey Benjamin	Director	March 14, 2012
/s/ DAVID BONDERMAN David Bonderman	Director	March 14, 2012
/s/ JEFFREY T. HOUSENBOLD Jeffrey Housenbold	Director	March 14, 2012
/s/ KELVIN DAVIS Kelvin Davis	Director	March 14, 2012
/s/ GARY W. LOVEMAN Gary W. Loveman	Director, Chairman of the Board, Chief Executive Officer and President	March 14, 2012
/s/ KARL PETERSON Karl Peterson	Director	March 14, 2012
/s/ ERIC PRESS Eric Press	Director	March 14, 2012
/s/ MARC ROWAN Marc Rowan	Director	March 14, 2012
/s/ DAVID SAMBUR David Sambur	Director	March 14, 2012
/s/ LYNN C. SWANN Lynn C. Swann	Director	March 14, 2012
/s/ JINLONG WANG Jinlong Wang	Director	March 14, 2012
/s/ CHRISTOPHER J. WILLIAMS Christopher J. Williams	Director	March 14, 2012
/s/ JONATHAN S. HALKYARD Jonathan S. Halkyard	Executive Vice President and Chief Financial Officer	March 14, 2012
/s/ DIANE E. WILFONG Diane E. Wilfong	Senior Vice President, Controller, and Chief Accounting Officer	March 14, 2012

**SECOND AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
CAESARS ENTERTAINMENT CORPORATION**

Dated as of February 8, 2012

CAESARS ENTERTAINMENT CORPORATION, a Delaware corporation (the “Corporation”), does hereby certify that:

FIRST: The present name of the Corporation is “CAESARS ENTERTAINMENT CORPORATION”. The Corporation was originally incorporated by the filing of its original Certificate of Incorporation with the Secretary of State of the State of Delaware (the “DE Secretary”) on November 2, 1989 under the name “THE PROMUS COMPANIES INCORPORATED”.

SECOND: An Amended Certificate of Incorporation of the Corporation was filed with the DE Secretary on January 28, 2008.

THIRD: An Amended and Restated Certificate of Incorporation (the “Amended and Restated Certificate”) was filed with the DE Secretary on November 22, 2010.

FOURTH: This Second Amended and Restated Certificate of Incorporation (this “Certificate”) amends and restates in its entirety the Amended and Restated Certificate, and has been approved in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware and by the stockholders of the Corporation in accordance with Sections 228 and 245 of the General Corporation Law of the State of Delaware.

FIFTH: This Certificate shall become effective immediately upon its filing with the DE Secretary.

SIXTH: Upon the filing of this Certificate with the DE Secretary, the Amended and Restated Certificate shall be amended and restated in its entirety to read as set forth on Exhibit A attached hereto.

* * * * *

IN WITNESS WHEREOF, the undersigned, being the Vice President, Associate General Counsel and Corporate Secretary of the Corporation, DOES HEREBY CERTIFY that the facts hereinabove stated are truly set forth and, accordingly, such officer has hereunto set his hand as of the date first above written.

CAESARS ENTERTAINMENT CORPORATION

By: /s/ Michael D. Cohen
Name: Michael D. Cohen
Title: Senior Vice President, Deputy General Counsel and
Corporate Secretary

**SECOND AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
CAESARS ENTERTAINMENT CORPORATION**

**ARTICLE I
NAME OF THE CORPORATION**

The name of the corporation (the “Corporation”) is: Caesars Entertainment Corporation.

**ARTICLE II
REGISTERED OFFICE; REGISTERED AGENT**

The address of the registered office of the Corporation in the State of Delaware is: 2711 Centerville Road, Suite 400, Wilmington, New Castle County, DE 19808. The name of the registered agent of the Corporation at such address is Corporation Service Company.

**ARTICLE III
PURPOSE**

The nature of the business or purposes to be conducted or promoted by the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the “DGCL”).

**ARTICLE IV
CAPITAL STOCK**

Section 4.1 Authorized Shares; Stock Split. The total number of shares of capital stock which the Corporation shall have authority to issue is 1,375,000,000 shares of capital stock, consisting of 1,250,000,000 shares of common stock, par value \$.01 per share (the “Common Stock”), and 125,000,000 shares of preferred stock, par value \$.01 per share (the “Preferred Stock”). Upon the filing of this Second Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware (the “Effective Time”) each share of Common Stock outstanding immediately prior thereto (the “Old Common Stock”) shall automatically, without further action on the part of the Corporation or any holder of such Common Stock, be reclassified as and shall become 1.742 validly issued, fully paid and nonassessable shares of Common Stock, as constituted following the Effective Time. The reclassification of the Old Common Stock into such new number of shares of Common Stock will be deemed to occur at the Effective Time, regardless of when any certificates previously representing such shares of Old Common Stock (if such shares are held in certificated form) are physically surrendered to the Corporation in exchange for certificates representing such new number of shares of Common Stock. After the Effective Time, certificates previously representing shares of Old Common Stock (if such shares are held in certificated form) will, until

such shares are surrendered to the Corporation in exchange for certificates representing such new number of shares of Common Stock, represent the number of shares of Common Stock into which such shares of Old Common Stock shall have been reclassified pursuant to this Section 4.1. In any case in which the reclassification of shares of Old Common Stock into shares of Common Stock would otherwise result in any holder of Common Stock holding a fractional share, the Corporation shall, in lieu of issuing any such fractional share, round such fractional interest up to the nearest whole number of shares of Common Stock.

Section 4.2 Preferred Stock. The Board of Directors is expressly authorized to provide for the issuance of all or any shares of the Preferred Stock in one or more series, to fix the number of shares constituting such series, and to increase or decrease the number of shares of any such series (but not below the number of shares thereof then outstanding) and to fix for each such series such voting powers, full or limited, or no voting powers, and such distinctive designations, powers, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such series including, without limitation, the authority to provide that any such series may be (a) subject to redemption at such time or times and at such price or prices; (b) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (c) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; or (d) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock, of the Corporation at such price or prices or at such rates of exchange and with such adjustments, all as may be stated in such resolution or resolutions. Notwithstanding the foregoing, the rights of each holder of Preferred Stock shall be subject at all times to compliance with all gaming and other statutes, laws, rules and regulations applicable to the Corporation and such holder at that time.

Section 4.3 Common Stock.

(a) Dividends. Subject to the rights of holders of Preferred Stock, if any, when, as and if dividends are declared on the Common Stock, whether payable in cash, in property or in securities of the Corporation, the holders of Common Stock shall be entitled to share equally, share for share, in such dividends.

(b) Liquidation or Dissolution. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, holders of Common Stock shall receive a pro rata distribution of any remaining assets after payment of or provision for liabilities and the liquidation preference on Preferred Stock, if any.

(c) Voting Rights. The holders of Common Stock shall be entitled to one vote per share on all matters to be voted on by the stockholders of the Corporation. No holder of shares of Common Stock shall have the right to cumulate votes.

(d) Consideration for Shares. The Common Stock and Preferred Stock authorized by this Article shall be issued for such consideration as shall be fixed, from time to time, by the Board of Directors.

(e) Assessment of Stock. The capital stock of the Corporation, after the amount of the subscription price has been fully paid in, shall not be assessable for any purpose, and no stock issued as fully paid shall ever be assessable or assessed. No stockholder of the Corporation, to the fullest extent permitted by law, shall be individually liable for the debts or liabilities of the Corporation.

(f) Preemptive Rights. No stockholder of the Corporation shall have any preemptive rights by virtue of this Second Amended and Restated Certificate of Incorporation.

ARTICLE V GAMING AND REGULATORY MATTERS

Section 5.1 Definitions. For purposes of this Article V, the following terms shall have the meanings specified below:

(a) “Affiliate” (and derivatives of such term) shall have the meaning ascribed to such term under Rule 12b-2 promulgated by the SEC under the Exchange Act.

(b) “Affiliated Company” shall mean any partnership, corporation, limited liability company, trust or other entity directly or indirectly Affiliated or under common Ownership or Control with the Corporation including, without limitation, any subsidiary, holding company or intermediary company (as those or similar terms are defined under the Gaming Laws of any applicable Gaming Jurisdictions), in each case that is registered or licensed under applicable Gaming Laws.

(c) “Control” (and derivatives of such term) (i) with respect to any Person, shall have the meaning ascribed to such term under Rule 12b-2 promulgated by the SEC under the Exchange Act, (ii) with respect to any Interest, shall mean the possession, directly or indirectly, of the power to direct, whether by agreement, contract, agency or otherwise, the voting rights or disposition of such Interest, and (iii) as applicable, the meaning ascribed to the term “control” (and derivatives of such term) under the Gaming Laws of any applicable Gaming Jurisdictions).

(d) “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended from time to time.

(e) “Gaming” or “Gaming Activities” shall mean the conduct of gaming and gambling activities, race books and sports pools, or the use of gaming devices, equipment and supplies in the operation of a casino, simulcasting facility, card club or other enterprise, including, without limitation, slot machines, gaming tables, cards, dice, gaming chips, player tracking systems, cashless wagering systems, mobile gaming systems, inter-casino linked systems and related and associated equipment, supplies and systems.

(f) “Gaming Authorities” shall mean all international, national, foreign, domestic, federal, state, provincial, regional, local, tribal, municipal and other regulatory and licensing bodies, instrumentalities, departments, commissions, authorities, boards, officials, tribunals and agencies with authority over or responsibility for the regulation of Gaming within any Gaming Jurisdiction.

(g) “Gaming Jurisdictions” shall mean all jurisdictions, domestic and foreign, and their political subdivisions, in which Gaming Activities are or may be lawfully conducted, including, without limitation, all Gaming Jurisdictions in which the Corporation or any of the Affiliated Companies currently conducts or may in the future conduct Gaming Activities.

(h) “Gaming Laws” shall mean all laws, statutes and ordinances pursuant to which any Gaming Authority possesses regulatory, permit and licensing authority over the conduct of Gaming Activities, or the Ownership or Control of an Interest in an entity which conducts Gaming Activities, in any Gaming Jurisdiction, all orders, decrees, rules and regulations promulgated thereunder, all written and unwritten policies of the Gaming Authorities and all written and unwritten interpretations by the Gaming Authorities of such laws, statutes, ordinances, orders, decrees, rules, regulations and policies.

(i) “Gaming Licenses” shall mean all licenses, permits, approvals, orders, authorizations, registrations, findings of suitability, franchises, exemptions, waivers, concessions and entitlements issued by any Gaming Authority necessary for or relating to the conduct of Gaming Activities by any Person or the Ownership or Control by any Person of an Interest in an entity that conducts or may in the future conduct Gaming Activities.

(j) “Interest” shall mean the stock or other securities of an entity or any other interest or financial or other stake therein, including, without limitation, the Securities.

(k) “Own” or “Ownership” (and derivatives of such terms) shall mean (i) ownership of record, (ii) “beneficial ownership” as defined in Rule 13d-3 or Rule 16a-1(a)(2) promulgated by the SEC under the Exchange Act, and (iii) as applicable, the meaning ascribed to the terms “own” or “ownership” (and derivatives of such terms) under the Gaming Laws of any applicable Gaming Jurisdictions.

(l) “Person” shall mean an individual, partnership, corporation, limited liability company, trust or any other entity.

(m) “Redemption Date” shall mean the date set forth in the Redemption Notice by which the Securities Owned or Controlled by an Unsuitable Person or an Affiliate of an Unsuitable Person are to be redeemed by the Corporation or any of its Affiliated Companies, which redemption date shall be determined in the sole and absolute discretion of the Board of Directors of the Corporation but which shall in no event be fewer than 45 calendar days following the date of the Redemption Notice, unless (i) otherwise required by a Gaming Authority or pursuant to any applicable Gaming Laws, (ii) prior to the expiration of such 45-day period, the Unsuitable Person shall have sold (or otherwise fully transferred or otherwise disposed of its Ownership of) its Securities to a Person that is not an Unsuitable Person (in which case, such Redemption Notice will only apply to those Securities that have not been sold or

otherwise disposed of) by the selling Unsuitable Person and, commencing as of the date of such sale, the purchaser or recipient of such Securities shall have all of the rights of a Person that is not an Unsuitable Person), or (iii) the cash or other Redemption Price necessary to effect the redemption shall have been deposited in trust for the benefit of the Unsuitable Person or its Affiliate and shall be subject to immediate withdrawal by such Unsuitable Person or its Affiliate upon (x) surrender of the certificate(s) evidencing the Securities to be redeemed accompanied by a duly executed stock power or assignment or (y) if the Securities are uncertificated, upon the delivery of a duly executed assignment or other instrument of transfer.

(n) “Redemption Notice” shall mean that notice of redemption delivered by the Corporation pursuant to this Article to an Unsuitable Person or an Affiliate of an Unsuitable Person if a Gaming Authority so requires the Corporation, or if the Board of Directors deems it necessary or advisable, to redeem such Unsuitable Person’s or Affiliate’s Securities. Each Redemption Notice shall set forth (i) the Redemption Date, (ii) the number and type of Securities to be redeemed, (iii) the Redemption Price and the manner of payment therefor, (iv) the place where any certificates for such Securities shall be surrendered for payment, and (v) any other requirements of surrender of the certificates, including how such certificates are to be endorsed, if at all.

(o) “Redemption Price” shall mean the price to be paid by the Corporation for the Securities to be redeemed pursuant to this Article, which shall be that price (if any) required to be paid by the Gaming Authority making the finding of unsuitability, or if such Gaming Authority does not require a certain price to be paid (including if the finding of unsuitability is made by the Board of Directors alone), that amount determined by the Board of Directors to be the fair value of the Securities to be redeemed; provided, that unless a Gaming Authority requires otherwise, the Redemption Price shall in no event exceed (i) the lowest closing price of such Securities reported on any of the domestic securities exchanges on which such Securities are listed on the date of the Redemption Notice or, if there have been no sales on any such exchange on such day, the average of the highest bid and lowest ask prices on all such exchanges at the end of such day, or (ii) if such Securities are not then listed for trading on any national securities exchange, then the mean between the representative bid and the ask price as quoted by another generally recognized reporting system, or (iii) if such Securities are not so quoted, then the average of the highest bid and lowest ask prices on such day in the domestic over-the-counter market as reported by Pink OTC Markets Inc. or any similar successor organization, or (v) if such Securities are not quoted by any recognized reporting system, then the fair value thereof, as determined in good faith and in the reasonable discretion of the Board of Directors. The Corporation may pay the Redemption Price in any combination of cash and/or promissory note as required by the applicable Gaming Authority and, if not so required (including if the finding of unsuitability is made by the Board of Directors alone), as determined by the Board of Directors, provided, that in the event the Corporation elects to pay all or any portion of the Redemption Price with a promissory note, such promissory note shall have a term of ten years, bear interest at a rate equal to three percent (3%) per annum and amortize in 120 equal monthly installments, and shall contain such other terms and conditions as the Board of Directors determines, in its discretion, to be necessary or advisable.

(p) “SEC” shall mean the U.S. Securities and Exchange Commission.

(q) “Securities” shall mean the capital stock of the Corporation and the capital stock, member’s interests or membership interests, partnership interests or other equity securities of any Affiliated Company.

(r) “Transfer” shall mean the sale and every other method, direct or indirect, of transferring or otherwise disposing of an Interest, or the Ownership, Control or possession thereof, or fixing a lien thereupon, whether absolutely or conditionally, voluntarily or involuntarily, by or without judicial proceedings, as a conveyance, sale, payment, pledge, mortgage, lien, encumbrance, gift, security, or otherwise (including by merger or consolidation).

(s) “Unsuitable Person” shall mean a Person who (i) fails or refuses to file an application, or has withdrawn or requested the withdrawal of a pending application, to be found suitable by any Gaming Authority or for any Gaming License, (ii) is denied or disqualified from eligibility for any Gaming License by any Gaming Authority, (iii) is determined by a Gaming Authority to be unsuitable or disqualified to Own or Control any Securities, (iv) is determined by a Gaming Authority to be unsuitable to be Affiliated, associated or involved with a Person engaged in Gaming Activities in any Gaming Jurisdiction, (v) causes any Gaming License of the Corporation or any Affiliated Company to be lost, rejected, rescinded, suspended, revoked or not renewed by any Gaming Authority, or causes the Corporation or any Affiliated Company to be threatened by any Gaming Authority with the loss, rejection, rescission, suspension, revocation or non-renewal of any Gaming License (in each of (ii) through (v) above, regardless of whether such denial, disqualification or determination by a Gaming Authority is final and/or non-appealable), or (vi) is deemed likely, in the sole and absolute discretion of the Board of Directors, to (A) preclude or materially delay, impede, impair, threaten or jeopardize any Gaming License held by the Corporation or any Affiliated Company or the Corporation’s or any Affiliated Company’s application for, right to the use of, entitlement to, or ability to obtain or retain, any Gaming License, (B) cause or otherwise result in, the disapproval, cancellation, termination, material adverse modification or non-renewal of any material contract to which the Corporation or any Affiliated Company is a party, or (C) cause or otherwise result in the imposition of any materially burdensome or unacceptable terms or conditions on any Gaming License of the Corporation or any Affiliated Company.

Section 5.2 Compliance with Gaming Laws. All Securities shall be held subject to the restrictions and requirements of all applicable Gaming Laws. All Persons Owning or Controlling Securities shall comply with all applicable Gaming Laws, including any provisions of such Gaming Laws that require such Person to file applications for Gaming Licenses with, and provide information to, the applicable Gaming Authorities. Any Transfer of Securities may be subject to the prior approval of the Gaming Authorities and/or the Corporation or the applicable Affiliated Company, and any purported Transfer thereof in violation of such requirements shall be void *ab initio*.

Section 5.3 Ownership Restrictions. Any Person who Owns or Controls five percent (5%) or more of any class or series of the Corporation’s Securities shall promptly notify the Corporation of such fact. In addition, any Person who Owns or Controls any shares of any class or series of the Corporation’s Securities may be required by Gaming Law to (1) provide to the Gaming Authorities in each Gaming Jurisdiction in which the Corporation or any subsidiary thereof either conducts Gaming or has a pending application for a Gaming License all

information regarding such Person as may be requested or required by such Gaming Authorities and (2) respond to written or oral questions or inquiries from any such Gaming Authorities. Any Person who Owns or Controls any shares of any class or series of the Corporation's Securities, by virtue of such Ownership or Control, consents to the performance of any personal background investigation that may be required by any Gaming Authorities.

Section 5.4 Finding of Unsuitability.

(a) The Securities Owned or Controlled by an Unsuitable Person or an Affiliate of an Unsuitable Person shall be redeemable by the Corporation or the applicable Affiliated Company, out of funds legally available therefor, as directed by a Gaming Authority and, if not so directed, as and to the extent deemed necessary or advisable by the Board of Directors, in which event the Corporation shall deliver a Redemption Notice to the Unsuitable Person or its Affiliate and shall redeem or purchase or cause one or more Affiliated Companies to purchase the Securities on the Redemption Date and for the Redemption Price set forth in the Redemption Notice. From and after the Redemption Date, such Securities shall no longer be deemed to be outstanding, such Unsuitable Person or Affiliate of such Unsuitable Person shall cease to be a stockholder, member, partner or owner, as applicable, of the Corporation and/or Affiliated Company with respect to such Securities, and all rights of such Unsuitable Person or Affiliate of such Unsuitable Person in such Securities, other than the right to receive the Redemption Price, shall cease. In accordance with the requirements of the Redemption Notice, such Unsuitable Person or its Affiliate shall surrender the certificate(s), if any, representing the Securities to be so redeemed.

(b) Commencing on the date that a Gaming Authority serves notice of a determination of unsuitability or disqualification of a holder of Securities, or the Board of Directors otherwise determines that a Person is an Unsuitable Person, and until the Securities Owned or Controlled by such Person are Owned or Controlled by a Person who is not an Unsuitable Person, it shall be unlawful for such Unsuitable Person or any of its Affiliates to and such Unsuitable Person and its Affiliates shall not: (i) receive any dividend, payment, distribution or interest with regard to the Securities, (ii) exercise, directly or indirectly or through any proxy, trustee, or nominee, any voting or other right conferred by such Securities, and such Securities shall not for any purposes be included in the Securities of the Corporation or the applicable Affiliated Company entitled to vote, or (iii) receive any remuneration that may be due to such Person, accruing after the date of such notice of determination of unsuitability or disqualification by a Gaming Authority, in any form from the Corporation or any Affiliated Company for services rendered or otherwise, or (iv) be or continue as a manager, officer, partner or director of the Corporation or any Affiliated Company.

Section 5.5 Notices. All notices given by the Corporation or an Affiliated Company pursuant to this Article, including Redemption Notices, shall be in writing and shall be deemed given when delivered by personal service, overnight courier, first-class mail, postage prepaid, addressed to the Person at such Person's address as it appears on the books and records of the Corporation or Affiliated Company.

Section 5.6 Indemnification. Any Unsuitable Person and any Affiliate of an Unsuitable Person shall indemnify and hold harmless the Corporation and its Affiliated

Companies for any and all losses, costs, and expenses, including attorneys' costs, fees and expenses, incurred by the Corporation and its Affiliated Companies as a result of, or arising out of, such Unsuitable Person's continuing Ownership or Control of Securities, failure or refusal to comply with the provisions of this Article, or failure to divest himself, herself or itself of any Securities when and in the specific manner required by the Gaming Authorities or this Article.

Section 5.7 Injunctive Relief. The Corporation shall be entitled to injunctive or other equitable relief in any court of competent jurisdiction to enforce the provisions of this Article and each Person who Owns or Controls Securities shall be deemed to have consented to injunctive or other equitable relief and acknowledged, by virtue of such Ownership or Control, that the failure to comply with this Article will expose the Corporation and the Affiliated Companies to irreparable injury for which there is no adequate remedy at law and that the Corporation and the Affiliated Companies shall be entitled to injunctive or other equitable relief to enforce the provisions of this Article.

Section 5.8 Non-Exclusivity of Rights. The right of the Corporation or any Affiliated Company to redeem Securities pursuant to this Article shall not be exclusive of any other rights the Corporation or any Affiliated Company may have or hereafter acquire under any agreement, provision of the bylaws of the Corporation or such Affiliated Company or otherwise. To the extent permitted under applicable Gaming Laws, the Corporation shall have the right, exercisable in the sole discretion of the Board of Directors, to propose that the parties, immediately upon the delivery of the Redemption Notice, enter into an agreement or other arrangement, including, without limitation, a divestiture trust or divestiture plan, which will reduce or terminate an Unsuitable Person's Ownership or Control of all or a portion of its Securities.

Section 5.9 Further Actions. Nothing contained in this Article shall limit the authority of the Board of Directors to take such other action, to the extent permitted by law, as it deems necessary or advisable to protect the Corporation or the Affiliated Companies from the denial or loss or threatened denial or loss of any Gaming License of the Corporation or any of its Affiliated Companies. Without limiting the generality of the foregoing, the Board of Directors may conform any provisions of this Article to the extent necessary to make such provisions consistent with Gaming Laws. In addition, the Board of Directors may, to the extent permitted by law, from time to time establish, modify, amend or rescind bylaws, regulations, and procedures of the Corporation not inconsistent with the express provisions of this Article for the purpose of determining whether any Person is an Unsuitable Person and for the orderly application, administration and implementation of the provisions of this Article. Such procedures and regulations shall be kept on file with the Secretary of the Corporation, the secretary of each of the Affiliated Companies and with the transfer agent, if any, of the Corporation and/or any Affiliated Companies, and shall be made available for inspection and, upon reasonable request, mailed to any record holder of Securities.

Section 5.10 Authority of the Board of Directors. The Board of Directors shall have exclusive authority and power to administer this Article and to exercise all rights and powers specifically granted to the Board of Directors or the Corporation, or as may be necessary or advisable in the administration of this Article. All such actions which are done or made by the Board of Directors in good faith shall be final, conclusive and binding on the Corporation and all

other Persons; provided, that the Board of Directors may delegate all or any portion of its duties and powers under this Article to a committee of the Board of Directors as it deems necessary or advisable.

Section 5.11 Severability. If any provision of this Article or the application of any such provision to any Person or under any circumstance shall be held invalid, illegal, or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this Article.

Section 5.12 Termination and Waivers. Except as may be required by any applicable Gaming Law or Gaming Authority, the Board of Directors may waive any of the rights of the Corporation or any restrictions contained in this Article in any instance in which and to the extent the Board of Directors determines that a waiver would be in the best interests of the Corporation. Except as required by a Gaming Authority, nothing in this Article shall be deemed or construed to require the Corporation to repurchase any Securities Owned or Controlled by an Unsuitable Person or an Affiliate of an Unsuitable Person.

Section 5.13 Legend. The restrictions set forth in this Article shall be noted conspicuously on any certificate evidencing the Securities in accordance with the requirements of the DGCL and any applicable Gaming Laws.

Section 5.14 Required New Jersey Charter Provisions.

(a) This Second Amended and Restated Certificate of Incorporation shall be deemed to include all provisions required by the New Jersey Casino Control Act, N.J.S.A. 5:12-1 et seq., as amended from time to time (the “New Jersey Act”) and, to the extent that anything contained herein or in the bylaws of the Corporation is inconsistent with the New Jersey Act, the provisions of the New Jersey Act shall govern. All provisions of the New Jersey Act, to the extent required by law to be stated in this Second Amended and Restated Certificate of Incorporation, are incorporated herein by this reference.

(b) This Second Amended and Restated Certificate of Incorporation shall be subject to the provisions of the New Jersey Act and the rules and regulations of the New Jersey Casino Control Commission (the “New Jersey Commission”) promulgated thereunder. Specifically, and in accordance with the provisions of Section 82(d)(7) of the New Jersey Act, the Securities of the Corporation are held subject to the condition that, if a holder thereof is found to be disqualified by the New Jersey Commission pursuant to the provisions of the New Jersey Act, the holder must dispose of such Securities in accordance with Section 5.4(a) of this Article and shall be subject to Section 5.4(b) of this Article.

(c) Any newly elected or appointed director or officer of, or nominee to any such position with, the Corporation, who is required to qualify pursuant to the New Jersey Act, shall not exercise any powers of the office to which such individual has been elected, appointed or nominated until such individual has been found qualified to hold such office or position by the New Jersey Commission in accordance with the New Jersey Act or the New Jersey Commission permits such individual to perform duties and exercise powers relating to any such position pending qualification, with the understanding that such individual will be immediately removed from such position if the New Jersey Commission determines that there is reasonable cause to believe that such individual may not be qualified to hold such position.

ARTICLE VI
MEETINGS; BOOKS AND RECORDS

Meetings of stockholders may be held within or without the State of Delaware, as the By-Laws may provide. For so long as Apollo Management VI, L.P. and/or TPG Capital, L.P. and/or any of their respective affiliates owns or controls a majority in voting power of the outstanding capital stock of the Corporation entitled to vote, any action to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding Common Stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of Common Stock entitled to vote thereon were present and voted and shall be delivered to the Corporation. From and after such time as Apollo Management VI, L.P. and/or TPG Capital, L.P., and/or any of their respective affiliates cease to beneficially own or control a majority in voting power of the outstanding capital stock of the Corporation entitled to vote, the stockholders may not in any circumstance take action by written consent in lieu of a meeting.

Subject to any rights of the holders of Preferred Stock as may be authorized by the Board of Directors in accordance with Section 4.2, unless otherwise prescribed by law, special meetings of stockholders, for any purpose or purposes, may only be called by a majority of the entire Board of Directors, and no other party shall be entitled to call special meetings.

The books of the Corporation may be kept (subject to any provision contained in the DGCL) outside of the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-Laws of the Corporation.

ARTICLE VII
AMENDMENTS; BY-LAWS

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Second Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation. Any amendment, alteration, change or repeal (whether by merger, consolidation or otherwise) of Articles VI, VII and VIII of this Second Amended and Restated Certificate of Incorporation, or of the By-Laws of the Corporation, shall require the affirmative vote of the stockholders holding at least two-thirds (2/3) of the outstanding voting power of the Corporation, voting together as a single class. Notwithstanding the foregoing and in furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized to make, adopt, alter, amend, change or repeal the By-Laws by resolution adopted by the affirmative vote of at least two-thirds (2/3) of the members of the entire Board of Directors.

ARTICLE VIII
DIRECTORS; CLASSIFIED BOARD

(a) Unless and except to the extent that the By-Laws of the Corporation shall so require, elections of directors need not be by written ballot. At all meetings of the stockholders for the election of directors at which a quorum is present, directors shall be elected by a plurality of the votes cast by the holders of the shares entitled to vote thereat.

(b) Subject to the rights of the holders of Preferred Stock as may be authorized by the Board of Directors in accordance with Section 4.2, the number of directors may be fixed from time to time only pursuant to a resolution adopted by two-thirds (2/3) of the members of the entire Board of Directors.

(c) Subject to the rights of the holders of Preferred Stock as may be authorized by the Board of Directors in accordance with Section 4.2, if any, upon the effectiveness of the Corporation's registration statement on Form S-1 with respect to its initial public offering of Common Stock, the directors shall be classified, with respect to the time for which they shall hold their respective offices, by dividing them into three (3) classes, to be known as "Class I," "Class II" and "Class III", with each class to be apportioned as nearly equal in number as possible. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. Directors of Class I shall hold office until the next annual meeting of stockholders after such effectiveness and until their successors are duly elected and qualified, directors of Class II shall hold office until the second annual meeting of the stockholders after such effectiveness and until their successors are duly elected and qualified and directors of Class III shall hold office until the third annual meeting of stockholders after such effectiveness and until their successors are duly elected and qualified. At each annual meeting of stockholders following such effectiveness, successors to the directors of the class whose term of office expires at such annual meeting shall be elected to hold office until the third succeeding annual meeting of stockholders, so that the term of office of only one class of directors shall expire at each annual meeting.

(d) In the case of any increase or decrease, from time to time, in the number of directors of the Corporation, the number of directors (other than the directors elected by any series of Preferred Stock) in each class shall be apportioned as nearly equal as possible among the classes of directors. No decrease in the number of directors shall shorten the term of any incumbent director.

(e) Any director of any class elected to fill a vacancy resulting from an increase in the number of directors of such class shall hold office for a term that shall coincide with the remaining term of that class. Any director elected or appointed to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his or her predecessor. The term of each director shall continue until the annual meeting for the year in which his or her term expires and until his or her successor shall be duly elected and shall qualify, subject to such director's earlier death, resignation or removal in accordance with this Second Amended and Restated Certificate of Incorporation.

(f) Subject to any rights of the holders of Preferred Stock as may be authorized by the Board of Directors in accordance with Section 4.2, and except as otherwise prescribed by law, any vacancy in the Board of Directors that results from an increase in the number of directors, from the death, resignation or removal of any director or from any other cause shall be filled solely by a majority of the total number of directors then in office, even if less than a quorum, or by a sole remaining director.

(g) Notwithstanding the foregoing provisions of this Article VIII, whenever the holders of any one or more series of Preferred Stock have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Second Amended and Restated Certificate of Incorporation and terms of such Preferred Stock applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article VIII unless expressly provided by the terms of such series of Preferred Stock.

(h) Upon the effectiveness of the Corporation's registration statement on Form S-1 with respect to its initial public offering of Common Stock, subject to any rights of the holders of Preferred Stock as may be authorized by the Board of Directors in accordance with Section 4.2, any director or the entire Board of Directors may be removed from office at any time, but only for cause and only by affirmative vote of at least two-thirds (2/3) of the total voting power of the outstanding shares of stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE IX

INDEMNIFICATION; ADVANCEMENT OF EXPENSES; EXCULPATION

(a) Right to Indemnification. The Corporation shall indemnify and hold harmless to the fullest extent permitted under and in accordance with the laws of the State of Delaware, as the same exists or may hereafter be amended, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) (hereinafter a "proceeding") by reason of the fact that the person is or was a director, officer or employee of the Corporation, or is or was serving at the request of the Corporation as a director, officer or employee of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer or employee while serving as a director, officer or employee, against all expenses and loss (including attorneys' fees, judgments, fines, amounts paid or to be paid in settlement, and excise taxes or penalties arising under the Employee Retirement Income Security Act of 1974) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in paragraph (c) hereof, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board.

(b) The Corporation shall indemnify and hold harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer or employee of the Corporation, or is or was serving at the request of the Corporation as a director, officer or employee of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer or employee, while serving as a director, officer or employee,

against all expenses and loss (including attorneys' fees, judgments, fines, amounts paid or to be paid in settlement, and excise taxes or penalties arising under the Employee Retirement Income Security Act of 1974), reasonably incurred or suffered by such person in connection with the defense or settlement of such proceeding and such indemnification shall continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in paragraph (c) hereof, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board; provided, further, that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) Right of Claimant to Bring Suit. If a claim under paragraph (a) or (b) of this Section is not paid in full by the Corporation within thirty (30) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such proceeding (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the DGCL for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such proceeding that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the proceeding or create a presumption that the claimant has not met the applicable standard of conduct.

(d) Advancement of Expenses. Expenses incurred in defending a civil or criminal action, suit or proceeding shall (in the case of any action, suit or proceeding against a director of the Corporation) or may as authorized by the Board, to the fullest extent not prohibited by law (in the case of any action, suit or proceeding against an officer, trustee, employee or agent), be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the indemnified person to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Article IX.

(e) Non-Exclusivity of Rights; Indemnification of Persons other than Directors, Officers and Employees. The indemnification and other rights set forth in this Article IX shall not be exclusive of any provisions with respect thereto in any statute, provision of this

Second Amended and Restated Certificate of Incorporation, the By-Laws of the Corporation or any other contract or agreement between the Corporation and any officer, director or employee. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any agent of the Corporation or any person (other than a person who is entitled to indemnification under clauses (a) or (b) of this Article IX) who was serving at the request of the Corporation as a director, officer, manager, employee, agent or trustee of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, to the fullest extent of the provisions of this Article IX with respect to the indemnification and advancement of expenses of directors, officers and employees of the Corporation.

(f) Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise, against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

(g) Amendment. Neither the amendment nor repeal of this Article IX (by merger, consolidation or otherwise), nor the adoption of any provision of this Second Amended and Restated Certificate of Incorporation inconsistent with Article IX, shall eliminate or reduce the effect of this Article IX in respect of any matter occurring before such amendment, repeal or adoption of an inconsistent provision or in respect of any cause of action, suit or claim relating to any such matter which would have given rise to a right of indemnification or right to receive expenses pursuant to this Article IX if such provision had not been so amended or repealed or if a provision inconsistent therewith had not been so adopted.

(h) Exculpation. No director shall be personally liable to the Corporation or any stockholder for monetary damages for breach of fiduciary duty as a director; provided, however, that the foregoing shall not eliminate or limit the liability of a director:

- (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders;
- (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- (iii) under Section 174 of the DGCL; or
- (iv) for any transaction from which the director derived an improper personal benefit.

If the DGCL is amended after the date hereof to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

The rights to indemnification and advancement of expenses conferred upon directors and officers of the Corporation in this Article IX shall be contract rights, shall vest

when such person becomes a director or officer of the Corporation and shall continue as vested contract rights. Any repeal or modification of the foregoing paragraph shall not adversely affect any right or protection of a director or officer of the Corporation existing hereunder with respect to any act or omission occurring prior to such repeal or modification.

ARTICLE X NO CONFLICT

Neither any contract or other transaction between the Corporation and any other corporation, partnership, limited liability company, joint venture, firm, association, or other entity (an “Entity”), nor any other acts of the Corporation with relation to any other Entity will, in the absence of fraud, to the fullest extent permitted by applicable law, in any way be invalidated or otherwise affected by the fact that any one or more of the directors or officers of the Corporation are pecuniarily or otherwise interested in, or are directors, officers, partners, or members of, such other Entity (such directors, officers, and Entities, each a “Related Person”). Any Related Person may be a party to, or may be pecuniarily or otherwise interested in, any contract or transaction of the Corporation, provided that the fact that person is a Related Person is disclosed or is known to the Board or a majority of directors present at any meeting of the Board at which action upon any such contract or transaction is taken, and any director of the Corporation who is also a Related Person may be counted in determining the existence of a quorum at any meeting of the board of directors during which any such contract or transaction is authorized and may vote thereat to authorize any such contract or transaction, with like force and effect as if such person were not a Related Person. Any director of the Corporation may vote upon any contract or any other transaction between the Corporation and any subsidiary or affiliated entity without regard to the fact that such person is also a director or officer of such subsidiary or affiliated entity.

Any contract, transaction or act of the Corporation or of the directors that is ratified at any annual meeting of the stockholders of the Corporation, or at any special meeting of the stockholders of the Corporation called for such purpose, will, insofar as permitted by applicable law, be as valid and as binding as though ratified by every stockholder of the Corporation; provided, however, that any failure of the stockholders to approve or ratify any such contract, transaction or act, when and if submitted, will not be deemed in any way to invalidate the same or deprive the Corporation, its directors, officers or employees, of its or their right to proceed with such contract, transaction or act.

Subject to any express agreement that may from time to time be in effect, (x) any director or officer of the Corporation who is also an officer, director, employee, managing director or other affiliate of either Apollo Management VI, L.P., on behalf of its investment funds (“Apollo”), and/or TPG Capital, L.P. (“TPG”) or any of their respective affiliates (collectively, the “Managers”) and (y) the Managers and their affiliates, may, and shall have no duty not to, in each case on behalf of the Managers or their affiliates (the persons and entities in clauses (x) and (y), each a “Covered Manager Person”), to the fullest extent permitted by applicable law, (i) carry on and conduct, whether directly, or as a partner in any partnership, or as a joint venturer in any joint venture, or as an officer, director or stockholder of any corporation, or as a participant in any syndicate, pool, trust or association, any business of any kind, nature or description, whether or not such business is competitive with or in the same or similar lines of business as the Corporation, (ii) do business with any client, customer, vendor or

lessor of any of the Corporation or its affiliates, and (iii) make investments in any kind of property in which the Corporation may make investments. To the fullest extent permitted by Section 122(17) of the DGCL, the Corporation hereby renounces any interest or expectancy of the Corporation to participate in any business of the Managers or their affiliates, and waives any claim against a Covered Manager Person and shall indemnify a Covered Manager Person against any claim that such Covered Manager Person is liable to the Corporation or its stockholders for breach of any fiduciary duty solely by reason of such person's or entity's participation in any such business.

In the event that a Covered Manager Person acquires knowledge of a potential transaction or matter which may constitute a corporate opportunity for both (x) the Covered Manager Person, in his or her Apollo-related capacity or TPG-related capacity, as the case may be, or Apollo or TPG, as the case may be, or its affiliates and (y) the Corporation, the Covered Manager Person shall not, to the fullest extent permitted by applicable law, have any duty to offer or communicate information regarding such corporate opportunity to the Corporation. To the fullest extent permitted by Section 122(17) of the DGCL, the Corporation hereby renounces any interest or expectancy of the Corporation in such corporate opportunity and waives any claim against each Covered Manager Person and shall indemnify a Covered Manager Person against any claim, that such Covered Manager Person is liable to the Corporation or its stockholders for breach of any fiduciary duty solely by reason of the fact that such Covered Manager Person (i) pursues or acquires any corporate opportunity for its own account or the account of any affiliate, (ii) directs, recommends, sells, assigns, or otherwise transfers such corporate opportunity to another person or (iii) does not communicate information regarding such corporate opportunity to the Corporation, provided, however, in each case, that any corporate opportunity which is expressly offered to a Covered Manager Person in writing solely in his or her capacity as an officer or director of the Corporation shall belong to the Corporation.

Any person or entity purchasing or otherwise acquiring any interest in any shares of capital stock of the Corporation shall be deemed to have notice of and to have consented to the provisions of this Article X.

This Article X may not be amended, modified or repealed without the prior written consent of each of the Managers.

ARTICLE XI FORUM SELECTION

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Corporation, (b) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, employee or agent of the Corporation to the Corporation or the Corporation's stockholders, (c) any action asserting a claim arising pursuant to any provision of the DGCL or the Corporation's certificate of incorporation or bylaws, (d) any action to interpret, apply, enforce or determine the validity of the Corporation's certificate of incorporation or bylaws or (e) any action asserting a claim governed by the internal affairs doctrine, in each such case subject to such Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article XI.

ARTICLE XII

The Corporation expressly elects not to be governed by Section 203 of the DGCL.

**BY-LAWS
OF
CAESARS ENTERTAINMENT CORPORATION**
(Amended January 31, 2012)

ARTICLE I.

OFFICES

SECTION 1. **Registered Office.** The registered office of Caesars Entertainment Corporation (the “Corporation”) shall be at 2711 Centerville Road, Suite 400, Wilmington, New Castle County, DE 19808.

SECTION 2. **Other Offices.** The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors of the Corporation (the “Board of Directors”) may from time to time determine.

SECTION 3. **Books and Records.** The books and records of the Corporation may be kept outside the State of Delaware at such place or places as may from time to time be designated by the Board of Directors.

ARTICLE II.

MEETINGS OF STOCKHOLDERS

SECTION 1. **Meetings of Stockholders.** Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place, if any, either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof. Meetings may be held without notice if all stockholders entitled to vote are present, or if notice is waived by those not present in accordance with Article VI, Section 2 of these By-Laws. Any previously scheduled meeting of the stockholders may be postponed, and (unless the Certificate of Incorporation otherwise provides) any special meeting of the stockholders may be cancelled, by resolution of the Board of Directors upon public announcement given prior to the date previously scheduled for such meeting of stockholders.

SECTION 2. **Annual Meetings.** If required by applicable law, an annual meeting of stockholders shall be held on such date and at such time and place, if any, either within or outside the State of Delaware, as may be fixed by the Board of Directors and stated in the notice of the meeting, for the purpose of electing directors and for the transaction of only such other business as is properly brought before the meeting in accordance with these By-Laws. The Board of Directors may postpone, reschedule or cancel any annual meeting of stockholders previously scheduled by the Board of Directors.

Notice of an annual meeting stating the place, if any, date and hour of the meeting, the means of remote communication, if any, by which stockholders may be deemed to be present at

such meeting, and the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for determining stockholders entitled to notice of the meeting) shall be given to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting, unless otherwise provided by law or these By-Laws. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. Such further notice shall be given as may be required by law.

To be properly brought before the annual meeting, business (other than the election of directors) must be either (i) specified in the notice of annual meeting (or any supplement or amendment thereto) given by or at the direction of the Board of Directors (or any committee thereof), (ii) otherwise brought before the annual meeting by or at the direction of the Board of Directors (or any committee thereof), or (iii) otherwise properly brought before the annual meeting by a stockholder of record at the time the notice provided for in this Article II, Section 2 is delivered to the Secretary who is entitled to vote at the meeting and complies with the notice requirements set forth in this Section. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the first anniversary of the preceding year's annual meeting (which anniversary date, in the case of the first annual meeting following the closing of the Corporation's initial public offering, shall be deemed to be April 15, 2012) (provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. A stockholder's notice to the Secretary shall set forth (a) as to each matter the stockholder proposes to bring before the annual meeting (1) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting and the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the By-Laws, the language of the proposed amendment) and (2) any material interest of the stockholder (and the beneficial owner, if any, on whose behalf the proposal is made) in such business and (b) as to the stockholder of record giving the notice or the beneficial owner, if any, on behalf of which the notice is given (1) the name and record address of the stockholder as they appear on the Corporation's books, and of such beneficial owner, (2) the class and series, if any, and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder and beneficial owner, (3) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business, and (4) a representation whether the stockholder or the beneficial owner, if any, intends

or is part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal and/or (y) otherwise to solicit proxies from stockholders in support of such proposal.

The foregoing notice requirements of this Article II, Section 2 shall be deemed satisfied by a stockholder if the stockholder has notified the Corporation of his intention to present a proposal at an annual meeting in compliance with applicable rules and regulations promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting.

Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Article II, Section 2. The presiding person at an annual meeting shall, if the facts warrant, determine and declare to the annual meeting that business was not properly brought before the annual meeting in accordance with the provisions of this Article II, Section 2 (including whether the stockholder or beneficial owner, if any, on whose behalf the proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's proposal in compliance with such stockholder's representation as required by this Article II, Section 2), and if such officer should so determine, such officer shall so declare to the annual meeting and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Article II, Section 2, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual meeting of stockholders of the Corporation to present such proposed business, such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Article II, Section 2 (and for purposes of Article III, Section 3 below), to be considered a qualified representative of the stockholder, a person must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the annual meeting of stockholders.

For purposes of this Article II, Section 2 (and Article III, Section 3 below), "public announcement" shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

Notwithstanding the foregoing provisions of this Article II, Section 2, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Article II, Section 2. Nothing in this Article II, Section 2 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to applicable rules and regulations promulgated under the Exchange Act.

SECTION 3. Special Meetings. Subject to the rights of the holders of any series of stock having a preference over the Common Stock of the Corporation as to dividends or upon liquidation (“Preferred Stock”) with respect to such series of Preferred Stock, unless otherwise prescribed by law or by the Certificate of Incorporation, special meetings of stockholders, for any purpose or purposes, may only be called by a majority of the entire Board of Directors, and no other party shall be entitled to call special meetings. The Board of Directors may postpone, reschedule or cancel any special meeting of stockholders previously called or scheduled by a majority of the entire Board of Directors. Notice of a special meeting stating the place, if any, date and hour of the meeting, the means of remote communication, if any, by which stockholders may be deemed to be present at such meeting, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for determining stockholders entitled to notice of the meeting), and the purpose or purposes of the meeting shall be given to each stockholder entitled to vote at such meeting, as of the record date for determining the stockholders entitled to notice of the meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting, unless otherwise provided by law or these By-Laws. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder’s address as it appears on the records of the Corporation. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation’s notice of meeting.

SECTION 4. Quorum; Adjournments. Except as otherwise provided by law or by the Certificate of Incorporation, the presence, in person or by proxy, of the holders of record of shares of capital stock of the Corporation entitling the holders thereof to cast a majority of the votes entitled to be cast by the holders of shares of capital stock entitled to vote at the meeting shall constitute a quorum at all meetings of the stockholders. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the presiding person of the meeting or the holders of a majority of the votes entitled to be cast by the stockholders entitled to vote thereat, present in person or represented by proxy may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented by proxy. Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, if any, and notice need not be given of any such adjourned meeting if the time and place, if any, thereof are announced at the meeting at which the adjournment is taken. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

SECTION 5. Voting. At all meetings of stockholders for the election of directors at which a quorum is present, directors shall be elected by a plurality of the votes cast by the holders of shares of capital stock entitled to vote. All other questions brought before any meeting of stockholders at which a quorum is present shall, unless otherwise provided by law, the Certificate of Incorporation, these By-Laws, the rules or regulations of any stock exchange applicable to the Corporation or any other rules and regulations applicable to the Corporation or its securities, be decided by the affirmative vote of a majority of the votes cast by stockholders present in person or by proxy at the meeting and entitled to vote thereat. Each stockholder

represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder, unless otherwise provided by the Certificate of Incorporation. Such votes may be cast in person or by proxy but no proxy shall be voted after three years from its date, unless such proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by delivering to the Secretary of the Corporation a revocation of the proxy or a new proxy bearing a later date. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his discretion, may require that any votes cast at such meeting shall be cast by written ballot.

SECTION 6. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting (provided, however, if the record date for determining the stockholders entitled to vote is less than ten (10) days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth day of the meeting), arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of meeting or (ii) during ordinary business hours at the principal place of business of the Corporation. The list of stockholders must also be open to examination at the meeting as required by applicable law. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

SECTION 7. Stock Ledger. Except as otherwise provided by law, the stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 6 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

SECTION 8. Inspectors of Election. The Corporation may, and shall if required by law, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may be employees of the Corporation, to act at the meeting or any adjournment thereof and to make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his ability. The inspector or inspectors so appointed or designated shall (i) ascertain the number of shares of capital stock of the Corporation outstanding and the voting power of each such share, (ii) determine the shares of capital stock of the Corporation represented at the meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify

their determination of the number of shares of capital stock of the Corporation represented at the meeting and such inspectors' count of all votes and ballots. Such certification and report shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the Corporation, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election.

SECTION 9. Conduct of Meetings. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the person presiding over the meeting. The Board of Directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the person presiding over any meeting of stockholders shall have the right and authority to convene and (for any or no reason) to recess and/or to adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such presiding person, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the presiding person of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the presiding person of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The presiding person at any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such presiding person should so determine, such presiding person shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board of Directors or the person presiding over the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

SECTION 10. Action Without Meeting. Except as otherwise provided by law or the Certificate of Incorporation, for so long as Apollo Management VI, L.P. and/or TPG Capital, L.P. and/or any of their respective affiliates beneficially owns or controls a majority in voting power of the outstanding capital stock of the Corporation entitled to vote, any action required to be taken at any annual or special meeting of stockholders, or any action which may be taken at any annual or special meeting, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. From and after such time as Apollo Management VI, L.P. and/or TPG Capital, L.P., and/or any of their respective affiliates, cease to beneficially own or control a majority in voting power of the outstanding capital stock of the Corporation entitled to vote, the stockholders may not in any circumstance take action by written consent in lieu of a meeting.

SECTION 11. **Proxies.** At all meetings of stockholders, a stockholder may vote by proxy executed in writing (or in such manner prescribed by the General Corporation Law of the State of Delaware) by the stockholder, or by his duly authorized attorney in fact.

ARTICLE III.

DIRECTORS

SECTION 1. **General Powers.** The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. In addition to the powers and authorities by these By-Laws expressly conferred upon them, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by law or by the Certificate of Incorporation required to be exercised or done by the stockholders.

SECTION 2. **Number, Tenure and Qualifications.** Subject to the provisions of the Certificate of Incorporation and the rights of the holders of Preferred Stock, the number of directors shall be fixed from time to time only pursuant to a resolution adopted by two-thirds (2/3) of the members of the entire Board of Directors. Subject to the rights of the holders of Preferred Stock, any vacancy in the Board of Directors that results from an increase in the number of directors, from the death, resignation or removal of any director or for any other cause shall be filled solely by a majority of the total number of directors then in office, even if less than a quorum, or by a sole remaining director. Any director of any class elected to fill a vacancy resulting from an increase in the number of directors of such class shall hold office for a term that shall coincide with the remaining term of that class. Any director elected or appointed to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his or her predecessor. The term of each director shall continue until the annual meeting for the year in which his or her term expires and until his or her successor shall be duly elected and shall qualify, subject to such director's earlier death, resignation or removal in accordance with the Certificate of Incorporation. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

SECTION 3. **Classification and Nomination of Directors.** Subject to the provisions of the Certificate of Incorporation and the rights of the holders of Preferred Stock, if any, upon the effectiveness of the Corporation's registration statement on Form S-1 with respect to its initial public offering of Common Stock, the directors shall be classified, with respect to the time for which they shall hold their respective offices, by dividing them into three (3) classes, to be known as "Class I," "Class II" and "Class III", with each class to be apportioned as nearly equal in number as possible. Directors of Class I shall hold office until the next annual meeting of stockholders after such effectiveness and until their successors are duly elected and qualified, directors of Class II shall hold office until the second annual meeting of the stockholders after such effectiveness and until their successors are duly elected and qualified and directors of Class III shall hold office until the third annual meeting of stockholders after such effectiveness and until their successors are duly elected and qualified. At each annual meeting of stockholders following such effectiveness, successors to the directors of the class whose term of office expires

at such annual meeting shall be elected to hold office until the third succeeding annual meeting of stockholders, so that the term of office of only one class of directors shall expire at each annual meeting.

Nominations of persons for election to the Board of Directors of the Corporation at the annual meeting may be made at such meeting only by or at the direction of the Board of Directors, by any committee or persons appointed by the Board of Directors or by any stockholder of the Corporation of record at the time the notice provided for in this Article III, Section 3 is delivered to the Secretary of the Corporation who is entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Article III, Section 3. Such nominations by any stockholder shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the first anniversary of the preceding year's annual meeting (which anniversary date, in the case of the first annual meeting following the closing of the Corporation's initial public offering, shall be deemed to be April 15, 2012) (provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation).

Such stockholder's notice to the Secretary shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (a) the name, age, business address and residence address of the person, (b) the principal occupation or employment of the person, (c) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person, (d) such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected and (e) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to the Rules and Regulations of the Securities and Exchange Commission under Section 14 of the Exchange Act; (ii) as to the record stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made (a) the name and address of the stockholder as it appears on the Corporation's books, and of such beneficial owner, (b) the class and number of shares of capital stock of the Corporation which are owned beneficially and of record by the stockholder, (c) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such nomination, and (d) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (1) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to elect the nominee and/or (2) otherwise to solicit proxies from stockholders in support of such nomination.

The foregoing notice requirements of this Article III, Section 3 shall be deemed satisfied by a stockholder if the stockholder has notified the Corporation of his intention to present a nomination at an annual meeting in compliance with applicable rules and regulations promulgated under the Exchange Act and such stockholder's nomination has been included in a

proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein. The presiding person of an annual meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's nominee or proposal in compliance with such stockholder's representation as required by this Article III, Section 3), and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. The directors shall be elected at the annual meeting of the stockholders, except as provided in the Certificate of Incorporation, and each director elected shall hold office until his successor is duly elected and qualified. Notwithstanding the foregoing provisions of this Article III, Section 3, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination, such nomination shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

Notwithstanding anything to the contrary set forth in this Article III, Section 3 to the contrary, in the event that the number of directors to be elected to the Board of Directors at an annual meeting is increased and there is no public announcement by the Corporation naming the nominees for the additional directorships at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Article III, Section 3 shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

Notwithstanding the foregoing provisions of this Article III, Section 3, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Article III, Section 3. Nothing in this Article III, Section 3 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to applicable rules and regulations promulgated under the Exchange Act.

SECTION 4. Removal. Upon the effectiveness of the Corporation's registration statement on Form S-1 with respect to its initial public offering of Common Stock, subject to any rights of the holders of Preferred Stock, any director or the entire Board of Directors may be removed from office at any time, but only for cause and only by affirmative vote of at least two-thirds (2/3) of the total voting power of the outstanding shares of stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

SECTION 5. Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as

may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman of the Board or a majority of the entire Board of Directors. Notice thereof stating the place, if any, date and hour of the meeting shall be given to each director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone or by other means of electronic transmission on not less than twelve (12) hours' notice. A meeting may be held at any time without notice if all the directors are present or if those not present waive notice of the meeting in accordance with Article VI, Section 2 of these By-Laws.

SECTION 6. Quorum. Except as may be otherwise specifically provided by law, the Certificate of Incorporation or these By-Laws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and, except in cases in which the Certificate of Incorporation, these By-Laws or applicable law otherwise provides, the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, a majority of the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

SECTION 7. Actions by Unanimous Consent of Directors. Unless otherwise provided by the Certificate of Incorporation, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings (or electronic transmissions) are filed with the minutes of proceedings of the Board of Directors or committee in accordance with applicable law.

SECTION 8. Meetings by Means of Conference Telephone. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 7 of Article III shall constitute presence in person at such meeting.

SECTION 9. Organization. Meetings of the Board of Directors shall be presided over by the Chairman of the Board, if any, or in his absence, by the Chief Executive Officer (the "CEO") (if the CEO is a director), or in their absence by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

SECTION 10. Committees. The Board of Directors may, by resolution of the Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and

not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent allowed by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation. Each committee shall keep regular minutes and report to the Board of Directors when required. A majority of any committee may determine its action and fix the time and place of its meetings. Notice of such meetings shall be given to each member of the committee in the manner provided for in Article III, Section 5 of these By-Laws. The Board shall have power at any time to fill vacancies in, to change the membership of, or to dissolve any such committee. Nothing herein shall be deemed to prevent the Board from appointing one or more committees consisting in whole or in part of persons who are not directors of the Corporation; provided, however, that no such committee shall have or may exercise any authority of the Board.

SECTION 11. Records. The Board of Directors shall cause to be kept a record containing the minutes of the proceedings of the meetings of the Board and of the stockholders, appropriate stock books and registers and such books of records and accounts as may be necessary for the proper conduct of the business of the Corporation.

SECTION 12. Compensation. The directors, or any members of special or standing committees, may be paid their expenses, if any, of attendance at each meeting of the Board of Directors (or committees thereof) and such additional compensation as determined by the Board of Directors. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

SECTION 13. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall, to the fullest extent permitted by law, be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE IV.

OFFICERS

SECTION 1. **General.** The officers of the Corporation shall be chosen by the Board of Directors and shall be a CEO, a Secretary and a Treasurer. The Board of Directors, in its discretion, may also choose a Chairman of the Board of Directors (who must be a director), one or more Presidents, one or more Senior Vice Presidents, one or more Executive Vice Presidents, one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Certificate of Incorporation or these By-Laws. The officers of the Corporation need not be stockholders of the Corporation nor, except in the case of the Chairman of the Board of Directors, need such officers be directors of the Corporation.

SECTION 2. **Election.** The Board of Directors at its first meeting held after each annual meeting of stockholders shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The salaries of all officers who are directors of the Corporation shall be fixed by the Board of Directors.

SECTION 3. **Voting Securities Owned by the Corporation.** Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the CEO, any President, any Senior Vice President or any Vice President and any such officer may, in the name and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

SECTION 4. **Chairman of the Board of Directors.** The Chairman of the Board of Directors, if there be one, shall preside at all meetings of the stockholders and of the Board of Directors. Except where by law the signature of the CEO is required, the Chairman of the Board of Directors shall possess the same power as the CEO to sign all contracts, certificates and other instruments of the Corporation which may be authorized by the Board of Directors. During the absence or disability of the CEO, the Chairman of the Board of Directors shall exercise all the powers and discharge all the duties of the CEO. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-Laws or by the Board of Directors.

SECTION 5. Chief Executive Officer. The CEO shall be selected by the Board and shall, subject to the control of the Board of Directors, have general supervision of the business of the Corporation. The CEO shall see that all orders and resolutions of the Board of Directors are carried into effect. The CEO shall individually have the authority to execute all bonds, mortgages, contracts and other instruments of the Corporation, including those requiring a seal under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except that the other officers of the Corporation may sign and execute documents when so authorized by these By-Laws, the Board of Directors or a Committee thereof, or the CEO. In the absence or disability of the Chairman of the Board of Directors, the CEO shall preside at all meetings of the stockholders and the Board of Directors (if the CEO is a director of the Corporation). The CEO shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-Laws or by the Board of Directors.

SECTION 6. Presidents. Each President shall be selected by the Board and shall, subject to the control of the CEO, have general supervision of the business or a business division of the Corporation as directed by the Board of Directors or the CEO. At the request of the CEO or in his absence or in the event of his inability or refusal to act (and if there be no Chairman of the Board of Directors), the President or the Presidents if there is more than one (in the order designated by the Board of Directors) shall perform the duties of the CEO, and when so acting, shall have all the powers of and be subject to all the restrictions upon the CEO. Each President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there be no Chairman of the Board of Directors, no CEO and no President, the Board of Directors shall designate the officer of the Corporation who, in the absence of the President or Presidents or in the event of the inability or refusal of the President or Presidents to act, shall perform the duties of the CEO, and when so acting, shall have all the powers of and be subject to all the restrictions upon the CEO.

SECTION 7. Vice Presidents. At the request of the CEO (or, in his absence or in the event of his inability or refusal to act (and if there be no Chairman of the Board of Directors), any President (as designated by the Board of Directors)), the Senior Vice President or the Senior Vice Presidents if there is more than one (in the order designated by the Board of Directors), the Executive Vice President or the Executive Vice Presidents if there is more than one (in the order designated by the Board of Directors), the Vice President or the Vice Presidents if there is more than one (in the order designated by the Board of Directors) shall perform the duties of any President or Presidents, as designated by the CEO, and when so acting, shall have all the powers of and be subject to all the restrictions upon such President or Presidents, as applicable. Each Senior Vice President, Executive Vice President and Vice President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there be no Chairman of the Board of Directors, no CEO, no President, no Senior Vice President, no Executive Vice President and no Vice President, the Board of Directors shall designate the officer of the Corporation who, in the absence of such President or Presidents, as applicable, or in the event of the inability or refusal of such President or Presidents, as applicable, to act, shall perform the duties of such President or Presidents, and when so acting, shall have all the powers of and be subject to all the restrictions upon such President or Presidents, as applicable.

SECTION 8. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or Chairman, under whose supervision he shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors or the Chairman may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

SECTION 9. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the CEO and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

SECTION 10. Assistant Secretaries. Except as may be otherwise provided in these By-Laws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the CEO, any President, any Senior Vice President, any Vice President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of his disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

SECTION 11. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the CEO, any President, any Senior Vice President, any Vice President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of his disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of

Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

SECTION 12. **Controller.** The Controller shall establish and maintain the accounting records of the Corporation in accordance with generally accepted accounting principles applied on a consistent basis, maintain proper internal control of the assets of the Corporation and shall perform such other duties as the Board of Directors, the CEO, any President, any Executive Vice President, any Senior Vice President or any Vice President of the Corporation may prescribe.

SECTION 13. **Other Officers.** Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

ARTICLE V.

STOCK

SECTION 1. **Form of Certificates.** The shares of the Corporation shall be represented by certificates, provided that the Board of Directors of the Corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock represented by certificates shall be entitled to have a certificate signed by, or in the name of the Corporation by, the Chairman of the Board of Directors, or the CEO, President, Executive Vice President, Senior Vice President or Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation representing the number of shares registered in certificate form.

SECTION 2. **Signatures.** Any or all of the signatures on the certificate may be a facsimile, including, but not limited to, signatures of officers of the Corporation and countersignatures of a transfer agent or registrar. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

SECTION 3. **Lost Certificates.** The Board of Directors may direct a new certificate or uncertificated shares to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or uncertificated shares, the Board of Directors may,

in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

SECTION 4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these By-Laws. Shares of stock of the Corporation shall only be transferred on the books of the Corporation by the holder of record thereof or by such holder's attorney duly authorized in writing, upon surrender to the Corporation of the certificate or certificates representing such shares endorsed by the appropriate person or persons (or by delivery of duly executed instructions with respect to uncertificated shares), with such evidence of the authenticity of such endorsement or execution, transfer, authorization, and other matters as the Corporation may reasonably require, and accompanied by all necessary stock transfer stamps. Uncertificated shares shall be transferred in accordance with applicable law. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing the names of the persons from and to whom it was transferred.

SECTION 5. Record Date. (i) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall, unless otherwise required by law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If the Board so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

(ii) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall, unless otherwise required by law, not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date, which written notice shall include all information (including with respect to any beneficial owner on whose behalf such notice is delivered) that would be required

pursuant to Section 2 and Section 3 of these By-laws, as applicable, if the stockholder had been making a nomination or proposing business to be considered at a meeting of the stockholders. The Board shall promptly, but in all events within ten (10) days after the date on which such request is received, adopt a resolution fixing the record date. If no record date is fixed by the Board within ten (10) days after the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken, sent to the attention of the Secretary at the principal executive offices of the Corporation, is received by the Secretary. If no record date has been fixed by the Board and the prior action of the Board is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be the close of business on the date on which the Board adopts the resolution taking such prior action.

SECTION 6. Beneficial Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

ARTICLE VI.

NOTICES

SECTION 1. Notices. (i) Whenever written notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director or member of a committee or stockholder, such notice may be given by mail, addressed to such director or member of a committee or stockholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by other means of electronic transmission.

(ii) Any notice to stockholders given by the Corporation pursuant to these By-Laws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation and shall also be deemed revoked if (a) the Corporation is unable to deliver by electronic transmission two (2) consecutive notices given by the Corporation in accordance with such consent and (b) such inability becomes known to the Secretary or Assistant Secretary of the Corporation, the transfer agent or other person responsible for the giving of notice; provided, however, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action. Notice given by a form of electronic transmission in accordance with these By-Laws shall be deemed given: (1) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice; (2) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (3) if by a posting on an electronic network, together with separate notice to the stockholder of such specific posting, upon the later of such posting and the giving of

such separate notice; and (4) if by another form of electronic transmission, when directed to the stockholder. For purposes of these By-Laws, “electronic transmission” means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

(iii) Any notice to stockholders given by the Corporation may be given by a single written notice to stockholders who share an address if consented to by the stockholders at such address to whom such notice is given. Any such consent shall be revocable by the stockholders by written notice to the Corporation. Any stockholder who fails to object in writing to the Corporation, within sixty (60) days of having been given written notice by the Corporation of its intention to send the single notice as set forth in this Article VI, Section 1(iii) shall be deemed to have consented to receiving such single written notice.

SECTION 2. Waivers of Notice. Whenever any notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed, by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Attendance of a person at a meeting, present in person or represented by proxy, shall constitute a waiver of notice of such meeting, except where the person attends the meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business nor the purpose of any meeting need be specified in such a waiver.

ARTICLE VII.

ADVANCEMENT OF EXPENSES

SECTION 1. Prepayment of Expenses. In addition to the provisions of the Certificate of Incorporation, the Corporation shall, to the fullest extent not prohibited by applicable law pay the expenses (including attorneys’ fees) incurred by any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a “proceeding”), by reason of the fact that he, or a person for whom he is the legal representative, is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans (a “Covered Person”), in defending any proceeding in advance of its final disposition, provided, however, that, to the extent required by law, such payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by the Covered Person to repay all amounts advanced if it should be ultimately determined that the Covered Person is not entitled to indemnification under applicable law, the Certificate of Incorporation, any agreement or otherwise.

SECTION 2. Nonexclusivity of Rights. The rights conferred on any Covered Person by this Article VII shall not be exclusive of any other rights which such Covered Person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, these By-Laws, agreement, vote of stockholders or disinterested directors or otherwise.

SECTION 3. **Other Sources.** The Corporation's obligation, if any, to advance expenses to any Covered Person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such Covered Person may collect as advancement of expenses from such other corporation, partnership, joint venture, trust, enterprise or non-profit enterprise.

SECTION 4. **Amendment or Repeal.** The rights afforded to Covered Persons under this Article VII shall be contract rights, shall vest when such person becomes a Covered Person and shall continue as vested contract rights. Any repeal or modification of the foregoing provisions of this Article VII shall not adversely affect any right or protection hereunder of any Covered Person in respect of any act or omission occurring prior to the time of such repeal or modification.

SECTION 5. **Other Indemnification and Prepayment of Expenses.** This Article VII shall not limit the right of the Corporation, to the extent and in the manner permitted by law, to indemnify and to advance expenses to persons other than Covered Persons when and as authorized by appropriate corporate action.

SECTION 6. **Applicable Law.** Any action or proceeding arising out of or in connection with the rights conferred by either the Certificate of Incorporation or this Article VII shall be brought only in the Chancery Court of the State of Delaware, and not in any other state or federal court in the United States of America or any court in any other country.

ARTICLE VIII.

GENERAL PROVISIONS

SECTION 1. **Dividends.** Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, and may be paid in cash, in property, or in shares of the capital stock, provided that no dividend shall be declared and paid except to the extent the Corporation shall have lawfully available funds therefor. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

SECTION 2. **Disbursements.** All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

SECTION 3. **Fiscal Year.** The fiscal year of the Corporation shall end on December 31 and the following fiscal year shall commence on January 1, unless the fiscal year is otherwise fixed by affirmative resolution of the entire Board of Directors.

SECTION 4. **Corporate Seal.** The corporate seal shall have inscribed thereon the name of the Corporation and the words “Corporate Seal, Delaware”. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

SECTION 5. **Amendments.** In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized to make, adopt, alter, amend, change or repeal these By-Laws by resolution adopted by the affirmative vote of at least two-thirds (2/3) of the members of the entire Board of Directors. In addition to any requirements of law and any other provision of these By-Laws or the Certificate of Incorporation, and notwithstanding any other provision of these By-Laws, the Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, stockholders may not make, adopt, alter, amend, change or repeal these By-Laws except upon the affirmative vote of at least two-thirds (2/3) of the voting power of the Corporation, voting together as a single class.

CHESTER DOWNS AND MARINA, LLC
CHESTER DOWNS FINANCE CORP.

as Issuers

9.25% Senior Secured Notes due 2020

INDENTURE

Dated as of February 3, 2012

U.S. Bank National Association,
as Trustee

and

U.S. Bank National Association,
as Collateral Agent

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Exhibit A	–	Form of Initial Note
Exhibit B	–	Form of Transferee Letter of Representation
Exhibit C	–	Form of Supplemental Indenture Related to Subsidiary Guarantors

INDENTURE dated as of February 3, 2012 among CHESTER DOWNS AND MARINA, LLC (the “Company”), a Pennsylvania limited liability company, CHESTER DOWNS FINANCE CORP., a Delaware corporation (“Chester Finance” and, together with the Company, the “Issuers”), SUBSIDIARY GUARANTORS party hereto from time to time, U.S. BANK NATIONAL ASSOCIATION, as trustee (the “Trustee”), and U.S. BANK NATIONAL ASSOCIATION, as collateral agent (the “Collateral Agent”).

Each party agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the holders of (i) \$330,000,000 aggregate principal amount of the Issuers’ 9.25% Senior Secured Notes due 2020 issued on the date hereof (the “Initial Notes”) and (ii) Additional Notes issued from time to time (together with the Initial Notes, the “Notes”):

ARTICLE I

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01. Definitions.

“Acquired Indebtedness” means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged, consolidated or amalgamated with or into or became a Restricted Subsidiary of such specified Person, and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

“Additional First Priority Lien Obligations” means any First Priority Lien Obligations that are Incurred after the Issue Date and secured by the Common Collateral on a first priority basis pursuant to the Security Documents.

“Additional First Lien Secured Party” means the holders of any Additional First Priority Lien Obligations and any Authorized Representative with respect thereto.

“Additional Notes” means Notes issued under the terms of this Indenture subsequent to the Issue Date.

“Affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

“Applicable Premium” means, with respect to any Note on any applicable redemption date, the greater of:

(3) 1% of the then outstanding principal amount of the Note; and

(4) the excess of:

(a) the present value at such redemption date of (i) the redemption price of the Note at February 1, 2016 (such redemption price being set forth in Paragraph 5 of the Note) *plus* (ii) all required interest payments due on the Note through February 1, 2016 (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate (as calculated by the Company) as of such redemption date (or in the case of a satisfaction and discharge or a defeasance, at least two Business Days prior to the date on which the Issuers deposit the amounts required under the Indenture) *plus* 50 basis points; over

(b) the then outstanding principal amount of the Note.

“Asset Sale” means:

(1) the sale, conveyance, transfer or other disposition (whether in a single transaction or a series of related transactions) of property or assets (including by way of a Sale/ Leaseback Transaction) outside the ordinary course of business of the Company or any Restricted Subsidiary of the Company (each referred to in this definition as a “disposition”) or

(2) the issuance or sale of Equity Interests (other than directors’ qualifying shares and shares issued to foreign nationals or other third parties to the extent required by applicable law) of any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary of the Company) (whether in a single transaction or a series of related transactions),

in each case other than:

(a) a disposition of Cash Equivalents or Investment Grade Securities or obsolete, damaged or worn out property or equipment in the ordinary course of business;

(b) the disposition of all or substantially all of the assets of the Company in a manner permitted pursuant to Section 5.01 or any disposition that constitutes a Change of Control;

(c) any Restricted Payment or Permitted Investment that is permitted to be made, and is made, under Section 4.04;

(d) any disposition of assets of the Company or any Restricted Subsidiary or issuance or sale of Equity Interests of any Restricted Subsidiary, which assets or Equity Interests so disposed or issued have an aggregate Fair Market Value (as determined in good faith by the Company) of less than \$1.0 million;

(e) any disposition of property or assets, or the issuance of securities, by a Restricted Subsidiary of the Company to the Company or by the Company or a Restricted Subsidiary of the Company to a Restricted Subsidiary of the Company;

(f) any exchange of assets (including a combination of assets and Cash Equivalents) for assets related to a Similar Business of comparable or greater market value or usefulness to the business of the Company and its Restricted Subsidiaries as a whole, as determined in good faith by the Company;

(g) foreclosure or any similar action with respect to any property or other asset of the Company or any of its Restricted Subsidiaries;

(h) any sale of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary;

(i) the lease, assignment or sublease of any real or personal property in the ordinary course of business;

(j) any sale of inventory or other assets in the ordinary course of business;

(k) any grant in the ordinary course of business of any license of patents, trademarks, know-how or any other intellectual property;

(l) in the ordinary course of business, any swap of assets, or lease, assignment or sublease of any real or personal property, in exchange for services (including in connection with any outsourcing arrangements) of comparable or greater value or usefulness to the business of the Company and its Restricted Subsidiaries as a whole, as determined in good faith by the Company;

(m) any financing transaction with respect to property built or acquired by the Company or any Restricted Subsidiary after the Issue Date, including any Sale/Leaseback Transaction or asset securitization permitted by this Indenture;

(n) dispositions in connection with Permitted Liens;

(o) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Company or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(p) any disposition made pursuant to an Operations Management Agreement;

(q) the sale of any property in a Sale/Leaseback Transaction within six months of the acquisition of such property;

(r) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements; and

(s) any surrender or waiver of contract rights or the settlement, release, recovery on or surrender of contract, tort or other claims of any kind.

“Authorized Representative” means (i) in the case of any Credit Agreement Obligations or the Credit Agreement Secured Parties, the administrative agent under the Credit Agreement, (ii) in the case of the Notes Obligations or the holders of the Notes, the Collateral Agent and (iii) in the case of any Series of Additional First Priority Lien Obligations or Additional First Lien Secured Parties that become subject to the First Lien Intercreditor Agreement, the Authorized Representative named for such Series in the applicable joinder agreement.

“Bank Indebtedness” means any and all amounts payable under or in respect of any Credit Agreement and any other Credit Agreement Documents as amended, restated, supplemented, waived, replaced, restructured, repaid, refunded, refinanced or otherwise modified from time to time (including after termination of the Credit Agreement), including principal, premium (if any), interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company whether or not a claim for post-filing interest is allowed in such proceedings), fees, charges, expenses, reimbursement obligations, guarantees and all other amounts payable thereunder or in respect thereof.

“Board of Directors” means, as to any Person, the board of directors or managers, as applicable, of such Person (or, if such Person is a partnership, the board of directors or other governing body of the general partner of such Person) or any duly authorized committee thereof.

“Business Day” means a day other than a Saturday, Sunday or other day on which banking institutions are authorized or required by law to close in New York City.

“Caesars Operating” means Caesars Entertainment Operating Company, Inc., together with its successors and assigns.

“Capital Stock” means:

(1) in the case of a corporation, corporate stock or shares;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

“Capitalized Lease Obligation” means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized and reflected as a liability on a balance sheet (excluding the footnotes thereto) in accordance with GAAP.

“Capitalized Software Expenditures” means, for any period, the aggregate of all expenditures (whether paid in cash or accrued as liabilities) by a Person and its Restricted Subsidiaries during such period in respect of purchased software or internally developed software and software enhancements that, in conformity with GAAP, are or are required to be reflected as capitalized costs on the consolidated balance sheet of such Person and such Restricted Subsidiaries.

“Cash Equivalents” means:

(1) U.S. dollars, pounds sterling, euros, the national currency of any member state in the European Union or, in the case of any Foreign Subsidiary that is a Restricted Subsidiary, such local currencies held by it from time to time in the ordinary course of business;

(2) securities issued or directly and fully guaranteed or insured by the U.S. government or any country that is a member of the European Union or any agency or instrumentality thereof in each case maturing not more than two years from the date of acquisition;

(3) certificates of deposit, time deposits and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances, in each case with maturities not exceeding one year and overnight bank deposits, in each case with any commercial bank having capital and surplus in excess of \$250.0 million and whose long-term debt is rated “A” or the equivalent thereof by Moody's or S&P (or reasonably equivalent ratings of another internationally recognized ratings agency);

(4) repurchase obligations for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper issued by a corporation (other than an Affiliate of the Company) rated at least “A-1” or the equivalent thereof by Moody's or S&P (or reasonably equivalent ratings of another internationally recognized ratings agency) and in each case maturing within one year after the date of acquisition;

(6) readily marketable direct obligations issued by any state of the United States of America or any political subdivision thereof having one of the two highest rating categories obtainable from either Moody's or S&P (or reasonably equivalent ratings of another internationally recognized ratings agency) in each case with maturities not exceeding two years from the date of acquisition;

(7) Indebtedness issued by Persons (other than the Sponsors or any of their Affiliates) with a rating of “A” or higher from S&P or “A-2” or higher from Moody’s (or reasonably equivalent ratings of another internationally recognized ratings agency) in each case with maturities not exceeding two years from the date of acquisition; and

(8) investment funds investing at least 95% of their assets in securities of the types described in clauses (1) through (7) above.

“Change of Control” means the occurrence of either of the following:

(1) the sale, lease or transfer, in one or a series of related transactions, of all or substantially all the assets of the Company and its Subsidiaries, taken as a whole, to a Person other than any of the Permitted Holders; or

(2) the Company becomes aware (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) of the acquisition by any Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act), other than any of the Permitted Holders, in a single transaction or in a related series of transactions, by way of merger, consolidation, amalgamation or other business combination or purchase of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision), of more than 50% of the total voting power of the Voting Stock of the Company.

“Chester Facility” means the Chester Downs racetrack and casino of the Company located in Chester, Pennsylvania.

“Code” means the Internal Revenue Code of 1986, as amended.

“Collateral” means all property (real or personal) subject or purported to be subject, from time to time, to a Lien under any Security Documents.

“Collateral Agent” means the First Lien Collateral Agent and any successor thereto in such capacity.

“Collateral Agreement” means the collateral agreement among the Issuers, each Subsidiary Guarantor and U.S. Bank, National Association, as Collateral Agent, dated as of February 3, 2012, as it may be amended, restated, supplemented or otherwise modified from time to time in accordance with its terms and this Indenture.

“Common Collateral” means, at any time, Collateral in which the holders of two or more Series of First Priority Lien Obligations (or their respective Authorized Representatives) hold a valid and perfected security interest at such time. If more than two Series of First Priority Lien Obligations are outstanding at any time and the holders of less than all Series of First

Priority Lien Obligations hold a valid and perfected security interest in any Collateral at such time then such Collateral shall constitute Common Collateral for those Series of First Priority Lien Obligations that hold a valid security interest in such Collateral at such time and shall not constitute Common Collateral for any Series which does not have a valid and perfected security interest in such Collateral at such time.

“Consolidated Depreciation and Amortization Expense” means, with respect to any Person for any period, the total amount of depreciation and amortization expense, including the amortization of intangible assets, deferred financing fees and Capitalized Software Expenditures and amortization of unrecognized prior service costs and actuarial gains and losses related to pensions and other post-employment benefits, of such Person and its Restricted Subsidiaries for such period on a consolidated basis and otherwise determined in accordance with GAAP.

“Consolidated Interest Expense” means, with respect to any Person for any period, the sum, without duplication, of:

- (1) consolidated interest expense of such Person and its Restricted Subsidiaries for such period, to the extent such expense was deducted in computing Consolidated Net Income (including amortization of original issue discount, the interest component of Capitalized Lease Obligations, and net payments and receipts (if any) pursuant to interest rate Hedging Obligations and excluding additional interest in respect of the Notes, amortization of deferred financing fees, debt issuance costs, commissions, fees and expenses and expensing of any bridge, commitment or other financing fees); *plus*
- (2) consolidated capitalized interest of such Person and its Restricted Subsidiaries for such period, whether paid or accrued; *minus*
- (3) interest income for such period.

For purposes of this definition, interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by the Company to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with GAAP.

“Consolidated Net Income” means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis; *provided, however*, that:

- (1) any net after-tax extraordinary, nonrecurring or unusual gains or losses (less all fees and expenses relating thereto) or expenses or charges, any severance expenses, relocation expenses, curtailments or modifications to pension and post-retirement employee benefit plans, any expenses related to any reconstruction, decommissioning, recommissioning or reconfiguration of fixed assets for alternate uses and fees, expenses or charges relating to facilities closing costs, acquisition integration costs, facilities opening costs, project start-up costs, business optimization costs, signing, retention or completion bonuses, expenses or charges related to any issuance of Equity Interests, Investment, acquisition, disposition, recapitalization or issuance, repayment,

refinancing, amendment or modification of Indebtedness (in each case, whether or not successful), and any fees, expenses or charges related to the offering of the Notes and the use of proceeds therefrom shall be excluded;

(2) effects of purchase accounting adjustments (including the effects of such adjustments pushed down to such Person and such Restricted Subsidiaries) in amounts required or permitted by GAAP, resulting from the application of purchase accounting in relation to any consummated acquisition or the amortization or write-off of any amounts thereof, net of taxes, shall be excluded;

(3) the Net Income for such period shall not include the cumulative effect of a change in accounting principles during such period;

(4) any net after-tax income or loss from disposed, abandoned, transferred, closed or discontinued operations and any net after-tax gains or losses on disposal of disposed, abandoned, transferred, closed or discontinued operations shall be excluded;

(5) any net after-tax gains or losses (less all fees and expenses or charges relating thereto) attributable to business dispositions or asset dispositions other than in the ordinary course of business (as determined in good faith by management of the Company) shall be excluded;

(6) any net after-tax gains or losses (less all fees and expenses or charges relating thereto) attributable to the early extinguishment of indebtedness, Hedging Obligations or other derivative instruments shall be excluded;

(7) the Net Income for such period of any Person that is not a Subsidiary of such Person, or is an Unrestricted Subsidiary or a Qualified Non-Recourse Subsidiary, or that is accounted for by the equity method of accounting, shall be included only to the extent of the amount of dividends or distributions or other payments paid in cash (or to the extent converted into cash) to the referent Person or a Restricted Subsidiary thereof (other than a Qualified Non-Recourse Subsidiary of such referent Person) in respect of such period;

(8) solely for the purpose of determining the amount available for Restricted Payments under clause (1) of the definition of "Cumulative Credit," the Net Income for such period of any Restricted Subsidiary (other than any Subsidiary Guarantor) shall be excluded to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of its Net Income is not at the date of determination permitted without any prior governmental approval (which has not been obtained) or, directly or indirectly, by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders, unless such restrictions with respect to the payment of dividends or similar distributions have been legally waived; *provided* that the Consolidated Net Income of such Person shall be increased by the amount of dividends or other distributions or other payments actually paid in cash (or converted into cash) by any such Restricted Subsidiary to such Person, to the extent not already included therein;

(9) an amount equal to the amount of Tax Distributions actually made to any parent or equity holder of such Person in respect of such period in accordance with Section 4.04(b)(xi) shall be included as though such amounts had been paid as income taxes directly by such Person for such period;

(10) any impairment charges or asset write-offs, in each case pursuant to GAAP, and the amortization of intangibles arising pursuant to GAAP shall be excluded;

(11) any non-cash expense realized or resulting from stock option plans, employee benefit plans or post-employment benefit plans, or grants or sales of stock, stock appreciation or similar rights, stock options, restricted stock, preferred stock or other rights, shall be excluded;

(12) any (a) one-time non-cash compensation charges, (b) costs and expenses after the Issue Date related to employment of terminated employees, or (c) costs or expenses realized in connection with or resulting from stock appreciation or similar rights, stock options or other rights existing on the Issue Date of officers, directors and employees, in each case of such Person or any of its Restricted Subsidiaries, shall be excluded;

(13) accruals and reserves that are established or adjusted within 12 months after the Issue Date and that are so required to be established or adjusted in accordance with GAAP or as a result of adoption or modification of accounting policies shall be excluded;

(14) solely for purposes of calculating EBITDA, (a) the Net Income of any Person and its Restricted Subsidiaries shall be calculated without deducting the income attributable to, or adding the losses attributable to, the minority equity interests of third parties in any non-Wholly Owned Restricted Subsidiary except to the extent of dividends declared or paid in respect of such period or any prior period on the shares of Capital Stock of such Restricted Subsidiary held by such third parties and (b) any ordinary course dividend, distribution or other payment paid in cash and received from any Person in excess of amounts included in clause (7) above shall be included;

(15) (a)(i) the non-cash portion of “straight-line” rent expense shall be excluded and (ii) the cash portion of “straight-line” rent expense which exceeds the amount expensed in respect of such rent expense shall be included and (b) non-cash gains, losses, income and expenses resulting from fair value accounting required by the applicable standard under GAAP and related interpretations shall be excluded;

(16) any currency translation gains and losses related to currency remeasurements of Indebtedness, and any net loss or gain resulting from hedging transactions for currency exchange risk, shall be excluded; and

(17) to the extent covered by insurance and actually reimbursed, or, so long as such Person has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (a) not denied by the applicable carrier in writing within 180 days and (b) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), expenses with respect to liability or casualty events or business interruption shall be excluded.

Notwithstanding the foregoing, for the purpose of Section 4.04 only, there shall be excluded from Consolidated Net Income any dividends, repayments of loans or advances or other transfers of assets from Unrestricted Subsidiaries of the Company or a Restricted Subsidiary of the Company to the extent such dividends, repayments or transfers increase the amount of Restricted Payments permitted under such Section pursuant to clauses (D) and (E) of the definition of “Cumulative Credit.”

“Consolidated Non-cash Charges” means, with respect to any Person for any period, the non-cash expenses (other than Consolidated Depreciation and Amortization Expense) of such Person and its Restricted Subsidiaries reducing Consolidated Net Income of such Person for such period on a consolidated basis and otherwise determined in accordance with GAAP, *provided* that if any such non-cash expenses represent an accrual or reserve for potential cash items in any future period, the cash payment in respect thereof in such future period shall be subtracted from EBITDA in such future period to the extent paid, but excluding from this proviso, for the avoidance of doubt, amortization of a prepaid cash item that was paid in a prior period.

“Consolidated Taxes” means, with respect to any Person for any period, the provision for taxes based on income, profits or capital, including, without limitation, state, franchise, property and similar taxes, foreign withholding taxes (including penalties and interest related to such taxes or arising from tax examinations) and any Tax Distributions taken into account in calculating Consolidated Net Income.

“Consolidated Total Indebtedness” means, as of any date of determination, an amount equal to (1) the aggregate principal amount of all outstanding Indebtedness of the Company and its Restricted Subsidiaries (excluding any undrawn letters of credit) consisting of Capitalized Lease Obligations, Indebtedness for borrowed money and Indebtedness in respect of the deferred purchase price of property or services minus (2) the amount of cash and Cash Equivalents in excess of any Restricted Cash held by the Company and its Restricted Subsidiaries on such date, in each case determined on a consolidated basis in accordance with GAAP.

“Consolidated Total Leverage Ratio” means, with respect to any Person, at any date the ratio of (i) the Consolidated Total Indebtedness to (ii) EBITDA of such Person for the four full fiscal quarters for which internal financial statements are available immediately preceding such date on which such additional Indebtedness is Incurred. In the event that the Company or any of its Restricted Subsidiaries Incurs, repays, repurchases or redeems any Indebtedness subsequent to the commencement of the period for which the Consolidated Total Leverage Ratio is being calculated but prior to the event for which the calculation of the

Consolidated Total Leverage Ratio is made (the “Consolidated Leverage Ratio Calculation Date”), then the Consolidated Total Leverage Ratio shall be calculated giving *pro forma* effect to such Incurrence, repayment, repurchase or redemption of Indebtedness as if the same had occurred at the beginning of the applicable four-quarter period; *provided* that the Company may elect pursuant to an Officer’s Certificate delivered to the Trustee to treat all or any portion of the commitment under any Indebtedness as being Incurred at such time, in which case any subsequent Incurrence of Indebtedness under such commitment shall not be deemed, for purposes of this calculation, to be an Incurrence at such subsequent time.

For purposes of making the computation referred to above, Investments, acquisitions, dispositions, mergers, amalgamations, consolidations and discontinued operations (as determined in accordance with GAAP), in each case with respect to an operating unit of a business, and any operational changes that the Company or any of its Restricted Subsidiaries has determined to make and/or made during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the Consolidated Leverage Ratio Calculation Date shall be calculated on a *pro forma* basis assuming that all such Investments, acquisitions, dispositions, mergers, amalgamations, consolidations, discontinued operations and other operational changes (and the change of any associated Indebtedness and the change in EBITDA resulting therefrom) had occurred on the first day of the four-quarter reference period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period shall have made any Investment, acquisition, disposition, merger, consolidation, amalgamation, discontinued operation or operational change, in each case with respect to an operating unit of a business, that would have required adjustment pursuant to this definition, then the Consolidated Total Leverage Ratio shall be calculated giving *pro forma* effect thereto for such period as if such Investment, acquisition, disposition, discontinued operation, merger, amalgamation, consolidation or operational change had occurred at the beginning of the applicable four-quarter period. For purposes of making the computation referred to above, with respect to each New Project that commences operations and records not less than one full fiscal quarter’s operations during the four-quarter reference period, the operating results of such New Project will be annualized on a straight-line basis during such period.

For purposes of this definition, whenever *pro forma* effect is to be given to any event, the *pro forma* calculations shall be made in good faith by a responsible financial or accounting officer of the Company. Any such *pro forma* calculation may include adjustments appropriate, in the reasonable good faith determination of the Company as set forth in an Officer’s Certificate, to reflect (1) operating expense reductions and other operating improvements or synergies reasonably expected to result from the applicable event and (2) all adjustments of the nature used in connection with the calculation of “Adjusted EBITDA” as set forth in the Offering Memorandum under the heading “Summary—Summary Financial and Operating Data” to the extent such adjustments, without duplication, continue to be applicable to such four-quarter period.

For purposes of this definition, any amount in a currency other than U.S. dollars will be converted to U.S. dollars based on the average exchange rate for such currency for the most recent twelve month period immediately prior to the date of determination in a manner consistent with that used in calculating EBITDA for the applicable period.

“Contingent Obligations” means, with respect to any Person, any obligation of such Person guaranteeing any leases, dividends or other obligations that do not constitute Indebtedness (“primary obligations”) of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent:

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor,
- (2) to advance or supply funds:
 - (a) for the purchase or payment of any such primary obligation; or
 - (b) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

“Credit Agreement” means, if designated by the Company to be included in the definition of “Credit Agreement,” one or more (A) debt facilities or commercial paper facilities, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to lenders or to special purpose entities formed to borrow from lenders against such receivables) or letters of credit, (B) debt securities, indentures or other forms of debt financing (including convertible or exchangeable debt instruments or bank guarantees or bankers’ acceptances), or (C) instruments or agreements evidencing any other Indebtedness, in each case, with the same or different borrowers or issuers and, in each case, as amended, supplemented, modified, extended, restructured, renewed, refinanced, restated, replaced or refunded in whole or in part from time to time.

“Credit Agreement Documents” means the collective reference to any Credit Agreement, any notes issued pursuant thereto and the guarantees thereof, and the collateral documents relating thereto, as amended, supplemented, restated, renewed, refunded, replaced, restructured, repaid, refinanced or otherwise modified, in whole or in part, from time to time.

“Credit Agreement Obligations” means Bank Indebtedness constituting First Priority Lien Obligations.

“Credit Agreement Secured Parties” means the “Secured Parties” as defined in the Credit Agreement.

“Cumulative Credit” means the sum of (without duplication):

(A) EBITDA of the Company for the period (taken as one accounting period), from January 1, 2012 to the end of the Company’s most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment minus 1.55 times Consolidated Interest Expense for such reference period, *plus*

(B) 100% of the aggregate net proceeds, including cash and the Fair Market Value (as determined in good faith by the Company) of property other than cash, received by the Company after the Issue Date (other than net proceeds to the extent such net proceeds have been used to Incur Indebtedness, Disqualified Stock or Preferred Stock pursuant to Section 4.03(b)(xiii)) from the issue or sale of Equity Interests of the Company (excluding Refunding Capital Stock, Designated Preferred Stock, Excluded Contributions and Disqualified Stock), including Equity Interests issued upon exercise of warrants or options (other than an issuance or sale to a Restricted Subsidiary of the Company), *plus*

(C) 100% of the aggregate amount of contributions to the capital of the Company received in cash and the Fair Market Value (as determined in good faith by the Company) of property other than cash after the Issue Date (other than Excluded Contributions, Refunding Capital Stock, Designated Preferred Stock and Disqualified Stock and other than contributions to the extent such contributions have been used to Incur Indebtedness, Disqualified Stock or Preferred Stock pursuant to Section 4.03(b)(xiii)), *plus*

(D) 100% of the principal amount of any Indebtedness or the liquidation preference or maximum fixed repurchase price, as the case may be, of any Disqualified Stock of the Company or any Restricted Subsidiary thereof issued after the Issue Date (other than Indebtedness or Disqualified Stock issued to a Restricted Subsidiary) which has been converted into or exchanged for Equity Interests in the Company (other than Disqualified Stock) or any direct or indirect parent of the Company (*provided* in the case of any parent, such Indebtedness or Disqualified Stock is retired or extinguished), *plus*

(E) 100% of the aggregate amount received by the Company or any Restricted Subsidiary in cash and the Fair Market Value (as determined in good faith by the Company) of property other than cash received by the Company or any Restricted Subsidiary from:

(I) the sale or other disposition (other than to the Company or a Restricted Subsidiary of the Company) of Restricted Investments made by the Company and its Restricted Subsidiaries and from repurchases and redemptions of such Restricted Investments from the Company and its Restricted Subsidiaries by any Person (other than the Company or any of its Restricted Subsidiaries) and from repayments of loans or advances, and releases of guarantees, which constituted Restricted Investments,

(II) the sale (other than to the Company or a Restricted Subsidiary of the Company) of the Capital Stock of an Unrestricted Subsidiary, or

(III) a distribution or dividend from an Unrestricted Subsidiary, *plus*

(F) in the event any Unrestricted Subsidiary of the Company has been redesignated as a Restricted Subsidiary or has been merged, consolidated or amalgamated with or into, or transfers or conveys its assets to, or is liquidated into, the Company or a Restricted

Subsidiary of the Company, the Fair Market Value (as determined in good faith by the Company) of the Investment of the Company in such Unrestricted Subsidiary (which, if the Fair Market Value of such investment shall exceed \$4.0 million, shall be determined by the Board of Directors of the Company, a copy of the resolution of which with respect thereto shall be delivered to the Trustee) at the time of such redesignation, combination or transfer (or of the assets transferred or conveyed, as applicable) (other than in each case to the extent that the designation of such Subsidiary as an Unrestricted Subsidiary constituted a Permitted Investment).

“Default” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“Designated Non-cash Consideration” means the Fair Market Value (as determined in good faith by the Company) of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an Officer’s Certificate, setting forth the basis of such valuation, less the amount of Cash Equivalents received in connection with a subsequent sale of such Designated Non-cash Consideration.

“Designated Preferred Stock” means Preferred Stock of the Company or any direct or indirect parent of the Company (other than Disqualified Stock), that is issued for cash (other than to the Company or any of its Subsidiaries or an employee stock ownership plan or trust established by the Company or any of its Subsidiaries) and is so designated as Designated Preferred Stock, pursuant to an Officer’s Certificate, on the issuance date thereof.

“Destruction” means any damage to, loss or destruction of all or any portion of the Collateral.

“Disqualified Stock” means, with respect to any Person, any Capital Stock of such Person which, by its terms (or by the terms of any security into which it is convertible or for which it is redeemable or exchangeable), or upon the happening of any event:

- (1) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise (other than as a result of a change of control or asset sale),
- (2) is convertible or exchangeable for Indebtedness or Disqualified Stock of such Person, or
- (3) is redeemable at the option of the holder thereof, in whole or in part (other than solely as a result of a change of control or asset sale),

in each case prior to 91 days after the earlier of the maturity date of the Notes or the date the Notes are no longer outstanding; *provided, however*, that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date shall be deemed to be Disqualified Stock; *provided, further, however*, that if such Capital Stock is issued to any employee or to any plan for the benefit of employees of the Company or its Subsidiaries or by any such plan to such employees, such Capital Stock shall not constitute Disqualified Stock solely because it may be

required to be repurchased by the Company in order to satisfy applicable statutory or regulatory obligations or as a result of such employee's termination, death or disability; *provided, further*, that any class of Capital Stock of such Person that by its terms authorizes such Person to satisfy its obligations thereunder by delivery of Capital Stock that is not Disqualified Stock shall not be deemed to be Disqualified Stock.

“Domestic Subsidiary” means a Restricted Subsidiary that is not a Foreign Subsidiary.

“EBITDA” means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period plus, without duplication, to the extent the same was deducted in calculating Consolidated Net Income:

(1) Consolidated Taxes; *plus*

(2) Fixed Charges; *plus*

(3) Consolidated Depreciation and Amortization Expense; *plus*

(4) Consolidated Non-cash Charges; *plus*

(5) any expenses or charges (other than Consolidated Depreciation and Amortization Expense) related to any issuance of Equity Interests, Investment, acquisition, disposition, recapitalization or the Incurrence or repayment of Indebtedness permitted to be Incurred by this Indenture (including a refinancing thereof) (whether or not successful), including (i) such fees, expenses or charges related to the offering of the Notes, (ii) any amendment or other modification of the Notes or other Indebtedness and (iii) any additional interest in respect of the Notes; *plus*

(6) business optimization expenses and other restructuring charges, reserves or expenses (which, for the avoidance of doubt, shall include, without limitation, the effect of inventory optimization programs, facility consolidations, retention, systems establishment costs, contract termination costs, future lease commitments and excess pension charges); *plus*

(7) any costs or expense Incurred pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement, to the extent that such cost or expenses are funded with cash proceeds contributed to the capital of the Company or a Subsidiary Guarantor or net cash proceeds of an issuance of Equity Interests of the Company (other than Disqualified Stock) solely to the extent that such net cash proceeds are excluded from the calculation of the Cumulative Credit; *less*, without duplication,

(8) non-cash items increasing Consolidated Net Income for such period (excluding the recognition of deferred revenue or any items which represent the reversal of any accrual of, or cash reserve for, anticipated cash charges that reduced EBITDA in any prior period and any items for which cash was received in a prior period).

“Equity Interests” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“Equity Offering” means any public or private sale after the Issue Date of common stock or Preferred Stock of the Company or any direct or indirect parent of the Company, as applicable (other than Disqualified Stock), other than:

- (1) public offerings with respect to the Company’s or such direct or indirect parent’s common stock registered on Form S-4 or Form S-8;
- (2) issuances to any Subsidiary of the Company; and
- (3) any such public or private sale that constitutes an Excluded Contribution.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

“Excluded Assets” means the property and other assets of the Issuers and the Subsidiary Guarantors that is excluded from the grant of the security interest in favor of the Collateral Agent, on behalf of the Secured Parties, pursuant to the terms of the Security Documents.

“Excluded Contributions” means the Cash Equivalents or other assets (valued at their Fair Market Value as determined in good faith by senior management or the Board of Directors of the Company) received by the Company after the Issue Date from:

- (1) contributions to its common equity capital, and
- (2) the sale (other than to a Subsidiary of the Company or to any Subsidiary management equity plan or stock option plan or any other management or employee benefit plan or agreement) of Capital Stock (other than Disqualified Stock and Designated Preferred Stock) of the Company,

in each case designated as Excluded Contributions pursuant to an Officer’s Certificate executed by an Officer of the Company on or promptly after the date such capital contributions are made or the date such Capital Stock is sold, as the case may be.

“Fair Market Value” means, with respect to any asset or property, the price which could be negotiated in an arm’s-length transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction.

“FF&E Assets” means fixtures, furniture, equipment and related assets of the Company and its Restricted Subsidiaries.

“FF&E Collateral” means all “Collateral” (or equivalent term) as defined in any FF&E Facility.

“FF&E Facility” means any agreement relating to indebtedness the proceeds of which are used for the purchase and/or lease of FF&E Assets or are otherwise secured by FF&E Assets.

“First Lien Collateral Agent” shall mean, initially, U.S. Bank National Association, solely in its capacity as collateral agent for the holders of the Notes and in its capacity as collateral agent for the First Lien Secured Parties, together with its successors and permitted assigns under the Indenture and the First Lien Documents exercising substantially the same rights and powers; *provided that* (i) after the incurrence of Material First Priority Credit Agreement Obligations, the Authorized Representative with respect to such Material First Priority Credit Agreement Obligations may, at the election of the Company, be designated the First Lien Collateral Agent and (ii) if such First Lien Collateral Agent is not U.S. Bank National Association, such First Lien Collateral Agent shall have become a party to any applicable First Lien Intercreditor Agreement, any applicable Second Lien Intercreditor Agreement, and the other applicable First Lien Security Documents.

“First Lien Documents” means the credit, guarantee and security documents governing the First Priority Lien Obligations, including, without limitation, the Indenture and the First Lien Security Documents.

“First Lien Intercreditor Agreement” means an intercreditor agreement among the First Lien Collateral Agent, the Trustee, as representative for the holders, and each Authorized Representative with respect to any Other First Priority Lien Obligations, as representative for the holders of such Other First Priority Lien Obligations, and consented to by the Issuers, the terms of which reflects the terms described in the Offering Memorandum under the heading “Description of Notes—First Lien Intercreditor Agreement,” as the same may be amended, restated or modified from time to time.

“First Lien Secured Parties” means, at any relevant time, the holders of First Priority Lien Obligations at such time, including without limitation the Trustee, the Collateral Agent and the holders of the Notes (including the holders of any Additional Notes subsequently issued under and in compliance with the terms of the Indenture), including any Additional First Lien Secured Parties.

“First Lien Security Documents” means the Security Documents and any other agreement, document or instrument pursuant to which a Lien is granted or purported to be granted securing First Priority Lien Obligations or under which rights or remedies with respect to such Liens are governed.

“First Priority After-Acquired Property” means any property of the Company or any Subsidiary Guarantor acquired after the Issue Date that is intended to secure the Obligations under the Indenture, the Notes and the Security Documents pursuant to the Indenture and the Security Documents other than any Excluded Assets.

“First Priority Liens” means the Liens securing the Obligations of the Company in respect of the Notes and this Indenture and all present and future Liens securing Other First Priority Lien Obligations as set forth in the Collateral Agreement.

“First Priority Lien Obligations” means (i) all Secured Bank Indebtedness, (ii) all Notes Obligations and (iii) all other Obligations of the Company or any of its Restricted Subsidiaries in respect of Hedging Obligations or Obligations in respect of cash management services in each case owing to a Person that is a holder of Secured Bank Indebtedness or an Affiliate of such holder at the time of entry into such Hedging Obligations or Obligations in respect of cash management services.

“Fixed Charge Coverage Ratio” means, with respect to any Person for any period, the ratio of EBITDA of such Person for such period to the Fixed Charges (other than Fixed Charges in respect of Qualified Non-Recourse Debt) of such Person for such period. In the event that the Company or any of its Restricted Subsidiaries Incurs, repays, repurchases or redeems any Indebtedness (other than in the case of revolving credit borrowings, in which case interest expense shall be computed based upon the average daily balance of such Indebtedness during the applicable period) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to the event for which the calculation of the Fixed Charge Coverage Ratio is made (the “Calculation Date”), then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect to such Incurrence, repayment, repurchase or redemption of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the applicable four-quarter period.

For purposes of making the computation referred to above, Investments, acquisitions, dispositions, mergers, amalgamations, consolidations and discontinued operations (as determined in accordance with GAAP), in each case with respect to an operating unit of a business, and any operational changes that the Company or any of its Restricted Subsidiaries has determined to make and/or made during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the Calculation Date shall be calculated on a *pro forma* basis assuming that all such Investments, acquisitions, dispositions, mergers, amalgamations, consolidations, discontinued operations and operational changes (and the change of any associated fixed charge obligations and the change in EBITDA resulting therefrom) had occurred on the first day of the four-quarter reference period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period shall have made any Investment, acquisition, disposition, merger, consolidation, amalgamation, discontinued operation or operational change, in each case with respect to an operating unit of a business, that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect thereto for such period as if such Investment, acquisition, disposition, discontinued operation, merger, amalgamation, consolidation or operational change had occurred at the beginning of the applicable four-quarter period. For purposes of making the computation referred to above, with respect to each New Project that commences operations and records not less than one full fiscal quarter’s operations during the four-quarter reference period, the operating results of such New Project will be annualized on a straight line basis during such period.

For purposes of this definition, whenever *pro forma* effect is to be given to any event, the *pro forma* calculations shall be made in good faith by a responsible financial or accounting officer of the Company. Any such *pro forma* calculation may include adjustments

appropriate, in the reasonable good faith determination of the Company as set forth in an Officer's Certificate, to reflect (1) operating expense reductions and other operating improvements or synergies reasonably expected to result from the applicable event, and (2) all adjustments of the nature used in connection with the calculation of "Adjusted EBITDA" as set forth in the Offering Memorandum under the heading "Summary—Summary Financial and Operating Data" to the extent such adjustments, without duplication, continue to be applicable to such four-quarter period.

If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness if such Hedging Obligation has a remaining term in excess of 12 months). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Company to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with GAAP. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Company may designate.

For purposes of this definition, any amount in a currency other than U.S. dollars will be converted to U.S. dollars based on the average exchange rate for such currency for the most recent twelve-month period immediately prior to the date of determination in a manner consistent with that used in calculating EBITDA for the applicable period.

"Fixed Charges" means, with respect to any Person for any period, the sum, without duplication, of:

- (1) Consolidated Interest Expense of such Person for such period, and
- (2) all cash dividend payments (excluding items eliminated in consolidation) on any series of Preferred Stock or Disqualified Stock of such Person and its Restricted Subsidiaries.

"Foreign Subsidiary." means a Restricted Subsidiary not organized or existing under the laws of the United States of America or any state or territory thereof or the District of Columbia and any direct or indirect subsidiary of such Restricted Subsidiary.

"GAAP" means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the Issue Date. For the purposes of this Indenture, the term "consolidated" with respect to any Person shall

mean such Person consolidated with its Restricted Subsidiaries, and shall not include any Unrestricted Subsidiary, but the interest of such Person in an Unrestricted Subsidiary will be accounted for as an Investment.

“Gaming Authorities” means, in any jurisdiction in which Company or any of its subsidiaries manages or conducts any casino, gaming business or activities, the applicable gaming board, commission, or other governmental gaming regulatory body or agency which (a) has, or may at any time after issuance of the Notes have, jurisdiction over the gaming activities of the Company or any of its subsidiaries, or any successor to such authority or (b) is, or may at any time after the issuance of the Notes be, responsible for interpreting, administering and enforcing the Gaming Laws.

“Gaming Laws” means all applicable constitutions, treaties, laws and statutes pursuant to which any Gaming Authority possesses regulatory, licensing or permit authority over gaming, gambling or casino activities, and all rules, rulings, orders, ordinances or regulations of any Gaming Authority applicable to the gambling, casino or gaming businesses or activities of the Company or any of its subsidiaries in any jurisdiction, as in effect from time to time, including the policies, interpretations and administration thereof by the Gaming Authorities.

“guarantee” means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness or other obligations.

“Hedging Obligations” means, with respect to any Person, the obligations of such Person under:

(1) currency exchange, interest rate or commodity swap agreements, currency exchange, interest rate or commodity cap agreements and currency exchange, interest rate or commodity collar agreements; and

(2) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange, interest rates or commodity prices.

“holder” or “noteholder” means the Person in whose name a Note is registered on the Registrar’s books.

“Incur” means issue, assume, guarantee, incur or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such person becomes a Subsidiary (whether by merger, amalgamation, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Person at the time it becomes a Subsidiary.

“Indebtedness” means, with respect to any Person:

- (1) the principal and premium (if any) of any indebtedness of such Person, whether or not contingent, (a) in respect of borrowed money, (b) evidenced by bonds, notes, debentures or similar instruments or letters of credit or bankers’ acceptances (or, without duplication, reimbursement agreements in respect thereof), (c) representing the

deferred and unpaid purchase price of any property (except any such balance that constitutes (i) a trade payable or similar obligation to a trade creditor Incurred in the ordinary course of business, (ii) any earn-out obligations until such obligation becomes a liability on the balance sheet of such Person in accordance with GAAP and (iii) liabilities accrued in the ordinary course of business), which purchase price is due more than six months after the date of placing the property in service or taking delivery and title thereto, (d) in respect of Capitalized Lease Obligations, or (e) representing any Hedging Obligations, if and to the extent that any of the foregoing indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability on a balance sheet (excluding the footnotes thereto) of such Person prepared in accordance with GAAP;

(2) to the extent not otherwise included, any obligation of such Person to be liable for, or to pay, as obligor, guarantor or otherwise, the obligations referred to in clause (1) of another Person (other than by endorsement of negotiable instruments for collection in the ordinary course of business); and

(3) to the extent not otherwise included, Indebtedness of another Person secured by a Lien on any asset owned by such Person (whether or not such Indebtedness is assumed by such Person); *provided, however*, that the amount of such Indebtedness will be the lesser of: (a) the Fair Market Value (as determined in good faith by the Company) of such asset at such date of determination, and (b) the amount of such Indebtedness of such other Person;

provided, however, that notwithstanding the foregoing, Indebtedness shall be deemed not to include (1) Contingent Obligations Incurred in the ordinary course of business and not in respect of borrowed money; (2) deferred or prepaid revenues; (3) purchase price holdbacks in respect of a portion of the purchase price of an asset to satisfy warranty or other unperformed obligations of the respective seller or (4) agreements entered into with joint venture or other partners to guarantee the purchase of a minimum number of hotel rooms.

Notwithstanding anything in this Indenture to the contrary, Indebtedness shall not include, and shall be calculated without giving effect to, the effects of Statement of Financial Accounting Standards No. 133 and related interpretations to the extent such effects would otherwise increase or decrease an amount of Indebtedness for any purpose under this Indenture as a result of accounting for any embedded derivatives created by the terms of such Indebtedness; and any such amounts that would have constituted Indebtedness under this Indenture but for the application of this sentence shall not be deemed an Incurrence of Indebtedness under this Indenture.

“Indenture” means this Indenture as amended or supplemented from time to time.

“Independent Financial Advisor” means an accounting, appraisal or investment banking firm or consultant, in each case of nationally recognized standing, that is, in the good faith determination of the Company, qualified to perform the task for which it has been engaged.

“Investment Grade Rating” means a rating equal to or higher than Baa3 (or the equivalent) by Moody’s and BBB- (or the equivalent) by S&P, or an equivalent rating by any other Rating Agency.

“Investment Grade Securities” means:

- (1) securities issued or directly and fully guaranteed or insured by the U.S. government or any agency or instrumentality thereof (other than Cash Equivalents),
- (2) securities that have a rating equal to or higher than Baa3 (or equivalent) by Moody’s and BBB- (or equivalent) by S&P, but excluding any debt securities or loans or advances between and among the Company and its Subsidiaries,
- (3) investments in any fund that invests exclusively in investments of the type described in clauses (1) and (2) which fund may also hold immaterial amounts of cash pending investment and/or distribution, and
- (4) corresponding instruments in countries other than the United States customarily utilized for high quality investments and in each case with maturities not exceeding two years from the date of acquisition.

“Investments” means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of loans (including guarantees), advances or capital contributions (excluding accounts receivable, trade credit and advances to customers and commission, travel and similar advances to officers, employees and consultants made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities issued by any other Person and investments that are required by GAAP to be classified on the balance sheet of the Company in the same manner as the other investments included in this definition to the extent such transactions involve the transfer of cash or other property. For purposes of the definition of “Unrestricted Subsidiary” and Section 4.04:

- (1) “Investments” shall include the portion (proportionate to the Company’s equity interest in such Subsidiary) of the Fair Market Value (as determined in good faith by the Company) of the net assets of a Subsidiary of the Company at the time that such Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company shall be deemed to continue to have a permanent “Investment” in an Unrestricted Subsidiary equal to an amount (if positive) equal to:
 - (a) the Company’s “Investment” in such Subsidiary at the time of such redesignation *less*
 - (b) the portion (proportionate to the Company’s equity interest in such Subsidiary) of the Fair Market Value (as determined in good faith by the Company) of the net assets of such Subsidiary at the time of such redesignation; and

(2) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value (as determined in good faith by the Company) at the time of such transfer, in each case as determined in good faith by the Board of Directors of the Company.

“Issue Date” means February 3, 2012.

“Junior Capital” shall mean any unsecured Indebtedness of the Company or any Subsidiary Guarantor to an Affiliate of the Company (other than the Company and its Subsidiaries) which (a) constitutes Subordinated Indebtedness, (b) has a maturity date and a Weighted Average Life to Maturity at the time such Indebtedness is Incurred which is not less than the maturity date and a Weighted Average Life to Maturity, respectively, that would result if all payments of principal on such Indebtedness were due on or after the date that is 91 days following the last maturity date of any Notes, and (c) pays interest (other than interest paid in kind) on any date only to the extent that after giving *pro forma* effect to the payment of such interest on such Indebtedness, Liquidity shall not be less than \$10,000,000; *provided, that*, any cash interest rate payable in respect of Junior Capital at any time will not be greater than 100 basis points below the lowest cash interest rate then payable on the Notes or any Additional First Priority Lien Obligations outstanding at such time.

“Junior Lien Obligations” means Obligations with respect to Indebtedness permitted to be incurred under the Indenture, which is by its terms intended to be secured on a basis junior to the Liens securing the First Priority Lien Obligations; *provided* such Lien is permitted to be incurred under the Indenture.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or similar encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction); *provided* that in no event shall an operating lease be deemed to constitute a Lien.

“Liquidity” means cash and Cash Equivalents that do not constitute Restricted Cash plus any undrawn revolving loan capacity under any Bank Indebtedness of the Company.

“Management Group” means the group consisting of the directors, executive officers and other management personnel of the Company or any direct or indirect parent of the Company, as the case may be, on the Issue Date together with (1) any new directors whose election by such boards of directors or whose nomination for election by the shareholders of the Company or any direct or indirect parent of the Company, as applicable, was approved by a vote of a majority of the directors of the Company or any direct or indirect parent of the Company, as applicable, then still in office who were either directors on the Issue Date or whose election or nomination was previously so approved and (2) executive officers and other management personnel of the Company or any direct or indirect parent of the Company, as applicable, hired at a time when the directors on the Issue Date together with the directors so approved constituted a majority of the directors of the Company or any direct or indirect parent of the Company, as applicable.

“Material First Priority Credit Agreement Obligations” means term loan and/or revolving loan Bank Indebtedness constituting Credit Agreement Obligations outstanding at any time the aggregate principal amount of which, plus the aggregate outstanding amount of commitments therefor, are equal to or greater than \$50.0 million.

“Moody’s” means Moody’s Investors Service, Inc. or any successor to the rating agency business thereof.

“Mortgaged Properties” means the Real Properties owned or leased by the Company or any Subsidiary Guarantor encumbered or to be encumbered by a Mortgage to secure the First Priority Lien Obligations.

“Mortgages” means, collectively, the mortgages, trust deeds, deeds of trust, deeds to secure debt, assignments of leases and rents, and other security documents delivered with respect to Mortgaged Properties, as amended, supplemented or otherwise modified from time to time.

“Net Income” means, with respect to any Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of Preferred Stock dividends.

“Net Insurance Proceeds” means the insurance proceeds (excluding liability insurance proceeds payable to the Collateral Agent for any loss, liability or expense incurred by it and excluding the proceeds of business interruption insurance) or condemnation awards actually received by the Company or any Restricted Subsidiary as a result of the Destruction or Taking of all or any portion of the Collateral, net of:

(1) reasonable out-of-pocket expenses and fees relating to such Taking or Destruction (including, without limitation, expenses of attorneys and insurance adjusters); and

(2) repayment of Indebtedness that is secured by the property or assets that are the subject of such Taking or Destruction ; *provided* that, in the case of any Destruction or Taking involving Collateral, the Lien securing such Indebtedness constitutes a Lien permitted by the Indenture to be senior to the Liens securing the Notes.

“Net Proceeds” means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received in respect of or upon the sale or other disposition of any Designated Non-cash Consideration received in any Asset Sale and any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received, but excluding the assumption by the acquiring Person of Indebtedness relating to the disposed assets or other consideration received in any other non-cash form), net of the direct costs relating to such Asset Sale and the sale or disposition of such Designated Non-cash Consideration (including, without limitation, legal, accounting and investment banking fees, and brokerage and sales commissions), and any relocation expenses Incurred as a result thereof, taxes

paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements related thereto), amounts required to be applied to the repayment of principal, premium (if any) and interest on Indebtedness required (other than pursuant to Section 4.06(b)(i)) to be paid as a result of such transaction, and any deduction of appropriate amounts to be provided by the Company as a reserve in accordance with GAAP against any liabilities associated with the asset disposed of in such transaction and retained by the Company after such sale or other disposition thereof, including, without limitation, pension and other post-employment benefit liabilities and liabilities related to environmental matters or against any indemnification obligations associated with such transaction.

“New Project” means each capital project that is either a new project or a new feature of an existing project owned by the Company or its Restricted Subsidiaries which receives a certificate of completion or occupancy and all relevant licenses, and in fact commences operations.

“Note Guarantee” means any guarantee of the obligations of the Company under this Indenture and the Notes by any Person in accordance with the provisions of this Indenture.

“Notes Obligations” means Obligations in respect of the Notes, the Indenture and the Security Documents, including, for the avoidance of doubt, Obligations in respect of exchange notes and guarantees thereof and all advances to, and debts, liabilities, obligations, covenants and duties of, the Issuers or any Subsidiary Guarantor arising under the Indenture and any other First Lien Documents relating to the Notes, whether or not direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against the Issuers, any Subsidiary Guarantor or any Affiliate thereof of any proceeding in bankruptcy or insolvency law naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

“Obligations” means any principal, interest, penalties, fees, indemnifications, reimbursements (including, without limitation, reimbursement obligations with respect to letters of credit and bankers’ acceptances), damages and other liabilities payable under the documentation governing any Indebtedness; *provided* that Obligations with respect to the Notes shall not include fees or indemnifications in favor of the Trustee and other third parties other than the holders of the Notes.

“Offering Memorandum” means the confidential offering memorandum, dated January 27, 2012, relating to the issuance of the Initial Notes.

“Officer” means the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, President, any Executive Vice President, Senior Vice President or Vice President, the Treasurer or the Secretary of the Company.

“Officer’s Certificate” means a certificate signed on behalf of the Company by an Officer of the Company, who must be the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of the Company, which meets the requirements set forth in this Indenture.

“Operations Management Agreement” means the First Amended and Restated Chester Downs Management Agreement dated as of August 31, 2009 by and between Harrah’s Chester Downs Management Company, LLC and any other real estate management agreements and any other operating management agreement entered into by the Company or any of its Restricted Subsidiaries with Caesars Entertainment Corporation or with any other direct or indirect Subsidiary of Caesars Entertainment Corporation, and any and all modifications thereto, substitutions therefor and replacements thereof so long as such other agreements modifications, substitutions and replacements are not materially less favorable, taken as a whole, to the Company and its Restricted Subsidiaries than the terms of such agreement as in effect on the Issue Date.

“Opinion of Counsel” means a written opinion from legal counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the Company or the Trustee.

“Other First Priority Lien Obligations” means other Indebtedness of the Company and its Restricted Subsidiaries that is equally and ratably secured with the Notes as permitted by this Indenture and is designated by the Company as an Other First Priority Lien Obligation.

“Pari Passu Indebtedness” means:

- (1) with respect to the Company, the Notes and any Indebtedness which ranks pari passu in right of payment to the Notes; and
- (2) with respect to any Subsidiary Guarantor, its obligations in respect of the Notes and any Indebtedness which ranks pari passu in right of payment to such Subsidiary Guarantor’s obligations in respect of the Notes.

“Permitted Holders” means, at any time, each of (i) Caesars Operating, (ii) Caesars Entertainment Corporation, (iii) the Sponsors, (iv) the Management Group, (v) any Person that has no material assets other than the Capital Stock of the Company and, directly or indirectly, holds or acquires 100% of the total voting power of the Voting Stock of the Company, and of which no other Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), other than any of the other Permitted Holders specified in clauses (i) through (iv) above, holds more than 50% of the total voting power of the Voting Stock thereof and (vi) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision) the members of which include any of the Permitted Holders specified in clauses (i) through (iv) above and that, directly or indirectly, hold or acquire beneficial ownership of the Voting Stock of the Company (a “Permitted Holder Group”), so long as (1) each member of the Permitted Holder Group has voting rights proportional to the percentage of ownership interests held or acquired by such member and (2) no Person or other “group” (other than the Permitted Holders specified in clauses (i) through (iv) above) beneficially owns more than 50% on a fully diluted basis of the Voting Stock held by the Permitted Holder Group. Any Person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of this Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

“Permitted Investments” means:

(1) any Investment in the Company or any Restricted Subsidiary;

(2) any Investment in Cash Equivalents or Investment Grade Securities;

(3) any Investment by the Company or any Restricted Subsidiary of the Company in a Person if as a result of such Investment (a) such Person becomes a Restricted Subsidiary of the Company, or (b) such Person, in one transaction or a series of related transactions, is merged, consolidated or amalgamated with or into, or transfers or conveys all or substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company;

(4) any Investment in securities or other assets not constituting Cash Equivalents and received in connection with an Asset Sale made pursuant to the provisions of Section 4.06 or any other disposition of assets not constituting an Asset Sale;

(5) any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date or an Investment consisting of any extension, modification or renewal of any Investment existing on the Issue Date; *provided* that the amount of any such Investment may be increased (x) as required by the terms of such Investment as in existence on the Issue Date or (y) as otherwise permitted under this Indenture;

(6) advances to employees, taken together with all other advances made pursuant to this clause (6), not to exceed \$1.25 million at any one time outstanding;

(7) any Investment acquired by the Company or any of its Restricted Subsidiaries (a) in exchange for any other Investment or accounts receivable held by the Company or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable, or (b) as a result of a foreclosure by the Company or any of its Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(8) Hedging Obligations permitted under Section 4.03(b)(x);

(9) (i) Investments by the Company or any of its Restricted Subsidiaries in any joint venture or other Person the purpose of which is the development, construction or support of a hotel in respect of the Chester Facility having an aggregate Fair Market Value (as determined in good faith by the Company), taken together with all other Investments made pursuant to this clause (9)(i) that are at that time outstanding, not to exceed \$25.0 million (with the Fair Market Value of each Investment being measured at the time made and without giving effect to subsequent changes in value) and (ii) Investments in any such joint venture or Person of the type consisting of guarantees under Section 4.07(b)(xxii) or in respect of Liens described under clause (29) of the definition of “Permitted Liens”, *provided, however*, that if any Investment pursuant to this clause (9) is made in any Person that is not a Restricted Subsidiary of the Company

at the date of the making of such Investment and such Person becomes a Restricted Subsidiary of the Company after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (9) for so long as such Person continues to be a Restricted Subsidiary;

(10) additional Investments by the Company or any of its Restricted Subsidiaries having an aggregate Fair Market Value (as determined in good faith by the Company), taken together with all other Investments made pursuant to this clause (10) that are at that time outstanding, not to exceed the greater of (x) \$10.0 million and (y) 3.0% of Total Assets at the time of such Investment (with the Fair Market Value of each Investment being measured at the time made and without giving effect to subsequent changes in value); *provided, however*, that if any Investment pursuant to this clause (10) is made in any Person that is not a Restricted Subsidiary of the Company at the date of the making of such Investment and such Person becomes a Restricted Subsidiary of the Company after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (10) for so long as such Person continues to be a Restricted Subsidiary;

(11) loans and advances to officers, directors or employees for business-related travel expenses, moving expenses and other similar expenses, in each case Incurred in the ordinary course of business or consistent with past practice or to fund such person's purchase of Equity Interests of the Company or any direct or indirect parent of the Company;

(12) Investments the payment for which consists of Equity Interests of the Company (other than Disqualified Stock) or any direct or indirect parent of the Company, as applicable; *provided, however*, that such Equity Interests will not increase the amount available for Restricted Payments under clause (C) of the definition of "Cumulative Credit";

(13) any transaction to the extent it constitutes an Investment that is permitted by and made in accordance with the provisions of Section 4.07(b) (except transactions described in clauses (ii), (v), (vi), (x) and (xi)(B) of such Section);

(14) Investments consisting of the licensing or contribution of intellectual property pursuant to joint marketing arrangements with other Persons;

(15) guarantees issued in accordance with Section 4.03 and Section 4.12, including, without limitation, any guarantee or other obligation issued or Incurred in connection with any letter of credit issued for the account of Caesars Entertainment Corporation or any of its subsidiaries (including with respect to the issuance of, or payments in respect of drawings under, such letters of credit);

(16) Investments consisting of or to finance purchases and acquisitions of inventory, supplies, materials, services or equipment or purchases of contract rights or licenses or leases of intellectual property;

(17) any Investment in an entity or purchase of a business or assets in each case owned (or previously owned) by a customer of a Restricted Subsidiary as a condition or in connection with such customer (or any member of such customer's group) contracting with a Restricted Subsidiary, in each case in the ordinary course of business;

(18) Investments of a Restricted Subsidiary of the Company acquired after the Issue Date or of an entity merged into, amalgamated with or consolidated with the Company or a Restricted Subsidiary of the Company in a transaction that is not prohibited by Section 5.01 after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation; and

(19) any Investment in any Subsidiary of the Company or any joint venture in connection with intercompany cash management arrangements or related activities arising in the ordinary course of business.

"Permitted Liens" means, with respect to any Person:

(1) pledges or deposits by such Person under workmen's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash or U.S. government bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case Incurred in the ordinary course of business;

(2) Liens imposed by law, such as carriers', warehousemen's and mechanics' Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings or other Liens arising out of judgments or awards against such Person with respect to which such Person shall then be proceeding with an appeal or other proceedings for review;

(3) Liens for taxes, assessments or other governmental charges not yet due or payable or subject to penalties for nonpayment or which are being contested in good faith by appropriate proceedings;

(4) Liens in favor of issuers of performance and surety bonds or bid bonds or with respect to other regulatory requirements or letters of credit issued pursuant to the request of and for the account of such Person in the ordinary course of its business;

(5) minor survey exceptions, minor encumbrances, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which were not Incurred in connection with Indebtedness and which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(6) (A) Liens on assets of a Restricted Subsidiary that is not a Subsidiary Guarantor securing Indebtedness of such Restricted Subsidiary permitted to be Incurred pursuant to Section 4.03, (B) Liens securing First Priority Lien Obligations in an aggregate principal amount not to exceed the greater of (x) the aggregate principal amount of Indebtedness permitted to be Incurred pursuant to Section 4.03(b)(i) and (y) the maximum principal amount of Indebtedness that, as of the date such Indebtedness was Incurred, and after giving effect to the Incurrence of such Indebtedness and the application of proceeds therefrom on such date, would not cause the Secured Indebtedness Leverage Ratio of the Company to exceed 3.00 to 1.00, *provided* that, with respect to Liens securing First Priority Lien Obligations permitted under this subclause (B), the Notes are secured by Liens on the assets subject to such Liens on at least a pari passu basis with the Liens securing all such First Priority Lien Obligations, with the priority and subject to intercreditor arrangements, in each case no less favorable to the holders of the Notes than those contemplated by Article XI of this Indenture; (C) Liens securing Indebtedness permitted to be Incurred pursuant to clause (iv), (xii), (xvi) or (xxii) of Section 4.03(b) (*provided* that (1) in the case of clause (iv), such Lien extends only to the assets and/or Capital Stock, the acquisition, lease, construction, repair, replacement or improvement of which is financed thereby and any proceeds or products thereof and (2) in the case of clause (xxii) such Lien applies only to FF&E Assets; and (D) Liens securing the Notes Obligations;

(7) Liens existing on the Issue Date;

(8) Liens on assets, property or shares of stock of a Person at the time such Person becomes a Subsidiary; *provided, however*, that such Liens are not created or Incurred in connection with, or in contemplation of, such other Person becoming such a Subsidiary; *provided, further*, however, that such Liens may not extend to any other property owned by the Company or any Restricted Subsidiary of the Company;

(9) Liens on assets or property at the time the Company or a Restricted Subsidiary of the Company acquired the assets or property, including any acquisition by means of a merger, amalgamation or consolidation with or into the Company or any Restricted Subsidiary of the Company; *provided, however*, that such Liens are not created or Incurred in connection with, or in contemplation of, such acquisition; *provided, further*, however, that the Liens may not extend to any other property owned by the Company or any Restricted Subsidiary of the Company;

(10) Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to the Company or another Restricted Subsidiary of the Company permitted to be Incurred in accordance with Section 4.03;

(11) Liens securing Hedging Obligations not Incurred in violation of this Indenture; *provided* that with respect to Hedging Obligations relating to Indebtedness, such Lien extends only to the property securing such Indebtedness;

(12) Liens on specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(13) leases and subleases of real property which do not materially interfere with the ordinary conduct of the business of the Company or any of its Restricted Subsidiaries;

(14) Liens arising from Uniform Commercial Code financing statement filings regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business;

(15) Liens in favor of the Company or any Subsidiary Guarantor;

(16) deposits made in the ordinary course of business to secure liability to insurance carriers;

(17) Liens on the Equity Interests of Unrestricted Subsidiaries;

(18) grants of software and other technology licenses in the ordinary course of business;

(19) Liens to secure any refinancing, refunding, extension, renewal or replacement (or successive refinancings, refundings, extensions, renewals or replacements) as a whole, or in part, of any Indebtedness secured by any Lien referred to in the foregoing clauses (6), (7), (8), (9), (10), (11) and (15); *provided, however*, that (x) such new Lien shall be limited to all or part of the same property that secured the original Lien (*plus* improvements on such property), and (y) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of (A) the outstanding principal amount or, if greater, committed amount of the Indebtedness described under clauses (6), (7), (8), (9), (10), (11) and (15) at the time the original Lien became a Permitted Lien under this Indenture, and (B) an amount necessary to pay any fees and expenses, including premiums, related to such refinancing, refunding, extension, renewal or replacement; *provided further*, however, that in the case of any Liens to secure any refinancing, refunding, extension or renewal of Indebtedness secured by a Lien referred to in clause (6)(B), the principal amount of any Indebtedness Incurred for such refinancing, refunding, extension or renewal shall be deemed secured by a Lien under clause (6)(B) and not this clause (19) for purposes of determining the principal amount of Indebtedness outstanding under clause (6)(B) for purposes of the definition of Secured Bank Indebtedness;

(20) Liens on equipment of the Company or any Restricted Subsidiary granted in the ordinary course of business to the Company's or such Restricted Subsidiary's client at which such equipment is located;

(21) judgment and attachment Liens not giving rise to an Event of Default and notices of lis pendens and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(22) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(23) Liens Incurred to secure cash management services or to implement cash pooling arrangements in the ordinary course of business;

(24) other Liens securing obligations Incurred in the ordinary course of business which obligations do not exceed \$10.0 million at any one time outstanding;

(25) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(26) any amounts held by a trustee in the funds and accounts under an indenture securing any revenue bonds issued for the benefit of the Company or any Restricted Subsidiary;

(27) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository or financial institution;

(28) Liens that rank junior to the Liens securing the Notes and securing the Junior Lien Obligations; and

(29) Liens consisting of leases, licenses, easements, covenants, rights of way or similar instruments granted in connection with the development, construction or support of any hotel in respect of the Chester Facility; provided that any such lease, license, easement, covenant, right of way or similar instrument does not materially impair the operation of the Chester Facility.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"**Preferred Stock**" means any Equity Interest with preferential right of payment of dividends or upon liquidation, dissolution, or winding up.

"**Qualified Non-Recourse Debt**" means Indebtedness that (1) is (a) Incurred by a Qualified Non-Recourse Subsidiary to finance (whether prior to or within 270 days after) the acquisition, lease, construction, repair, replacement or improvement of any property (real or personal) or equipment (whether through the direct purchase of property or the Equity Interests of any person owning such property and whether in a single acquisition or a series of related acquisitions) or (b) assumed by a Qualified Non-Recourse Subsidiary, (2) is non-recourse to the Company and any Subsidiary Guarantor and (3) is non-recourse to any Restricted Subsidiary that is not a Qualified Non-Recourse Subsidiary.

"**Qualified Non-Recourse Subsidiary**." means (1) a Restricted Subsidiary that is not a Subsidiary Guarantor and that is formed or created after the Issue Date in order to finance

an acquisition, lease, construction, repair, replacement or improvement of any property or equipment (directly or through one of its Subsidiaries) that secures Qualified Non-Recourse Debt and (2) any Restricted Subsidiary of a Qualified Non-Recourse Subsidiary.

“Rating Agency” means (1) each of Moody’s and S&P and (2) if Moody’s or S&P ceases to rate the Notes for reasons outside of the Company’s control, a “nationally recognized statistical rating organization” within the meaning of Section 3(a)(62) under the Exchange Act selected by the Company or any direct or indirect parent of the Company as a replacement agency for Moody’s or S&P, as the case may be.

“Real Property” means, collectively, all right, title and interests (including any leasehold, mineral or other estate) in and to any and all parcels of or interests in real property owned, leased or operated by any Person, whether by lease, license or other means, together with, in each case, all easements, hereditaments and appurtenances relating thereto, all buildings, structures, parking areas and improvements and appurtenant fixtures and equipment, all general intangibles and contract rights and other property and rights incidental to the ownership, lease or operation thereof.

“Representative” means the trustee, agent or representative (if any) for an issue of Indebtedness; *provided* that if, and for so long as, such Indebtedness lacks such a Representative, then the Representative for such Indebtedness shall at all times constitute the holder or holders of a majority in outstanding principal amount of obligations under such Indebtedness.

“Responsible Officer” means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such Person’s knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

“Restricted Cash” means cash and Cash Equivalents held by Restricted Subsidiaries that are contractually restricted from being distributed to the Company, except for (i) such cash and Cash Equivalents subject only to such restrictions that are contained in agreements governing Indebtedness permitted under this Indenture and that are secured by such cash or Cash Equivalents and (ii) cash and Cash Equivalents constituting “cage cash.”

“Restricted Investment” means an Investment other than a Permitted Investment.

“Restricted Subsidiary” means, with respect to any Person, any Subsidiary of such Person other than an Unrestricted Subsidiary of such Person. Unless otherwise indicated in this Indenture, all references to Restricted Subsidiaries shall mean Restricted Subsidiaries of the Company.

“Retired Notes Amount” means, at any time, an amount equal to \$330.0 million less the aggregate principal amount of Notes originally incurred on the Issue Date outstanding at such time.

“Reversion Date” means the date on which one or both of the Rating Agencies withdraw their Investment Grade Rating or downgrade the rating assigned to the Notes below an Investment Grade Rating.

“Sale/Leaseback Transaction” means an arrangement relating to property now owned or hereafter acquired by the Company or a Restricted Subsidiary whereby the Company or a Restricted Subsidiary transfers such property to a Person and the Company or such Restricted Subsidiary leases it from such Person, other than leases between the Company and a Restricted Subsidiary of the Company or between Restricted Subsidiaries of the Company.

“S&P” means Standard & Poor’s Ratings Group or any successor to the rating agency business thereof.

“SEC” means the Securities and Exchange Commission.

“Second Lien Intercreditor Agreement” means an intercreditor agreement among the First Lien Collateral Agent, the Trustee, as representative for the holders, each Authorized Representative with respect to any Other First Lien Obligations, the collateral agent and each authorized representative of any Second Priority Lien Obligations, and the other parties thereto from time to time, and consented to by the Issuers, the terms of which reflects the terms described in the “Description of Notes—Second Lien Intercreditor Agreement” section of the Offering Memorandum, as the same made be amended, restated or modified from time to time.

“Second Priority Lien Obligations” means any Junior Lien Obligations that are subject to the Second Lien Intercreditor Agreement.

“Secured Bank Indebtedness” means any Bank Indebtedness that is secured by a Permitted Lien incurred or deemed incurred pursuant to clause (6) (B) of the definition of Permitted Liens.

“Secured Indebtedness” means any Indebtedness secured by a Lien.

“Secured Indebtedness Leverage Ratio” means, with respect to any Person, at any date the ratio of (i) Consolidated Total Indebtedness constituting First Priority Lien Obligations of such Person and its Restricted Subsidiaries as of such date of calculation to (ii) EBITDA of such Person for the four full fiscal quarters for which internal financial statements are available immediately preceding such date on which such additional Indebtedness is Incurred. In the event that the Company or any of its Restricted Subsidiaries Incurs, repays, repurchases or redeems any Indebtedness subsequent to the commencement of the period for which the Secured Indebtedness Leverage Ratio is being calculated but prior to the event for which the calculation of the Secured Indebtedness Leverage Ratio is made (the “Secured Leverage Calculation Date”), then the Secured Indebtedness Leverage Ratio shall be calculated giving *pro forma* effect to such Incurrence, repayment, repurchase or redemption of Indebtedness as if the same had occurred at the beginning of the applicable four-quarter period; *provided* that the Company may elect pursuant to an Officer’s Certificate delivered to the Trustee to treat all or any portion of the commitment under any Indebtedness as being Incurred at such time, in which case any subsequent Incurrence of Indebtedness under such commitment shall not be deemed, for purposes of this calculation, to be an Incurrence at such subsequent time.

For purposes of making the computation referred to above, Investments, acquisitions, dispositions, mergers, amalgamations, consolidations and discontinued operations (as determined in accordance with GAAP), in each case with respect to an operating unit of a business, and any operational changes that the Company or any of its Restricted Subsidiaries has determined to make and/or made during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the Secured Leverage Calculation Date shall be calculated on a *pro forma* basis assuming that all such Investments, acquisitions, dispositions, mergers, amalgamations, consolidations, discontinued operations and other operational changes (and the change of any associated Indebtedness and the change in EBITDA resulting therefrom) had occurred on the first day of the four-quarter reference period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period shall have made any Investment, acquisition, disposition, merger, consolidation, amalgamation, discontinued operation or operational change, in each case with respect to an operating unit of a business, that would have required adjustment pursuant to this definition, then the Secured Indebtedness Leverage Ratio shall be calculated giving *pro forma* effect thereto for such period as if such Investment, acquisition, disposition, discontinued operation, merger, amalgamation, consolidation or operational change had occurred at the beginning of the applicable four-quarter period. For purposes of making the computation referred to above, with respect to each New Project that commences operations and records not less than one full fiscal quarter's operations during the four-quarter reference period, the operating results of such New Project will be annualized on a straight line basis during such period.

For purposes of this definition, whenever *pro forma* effect is to be given to any event, the *pro forma* calculations shall be made in good faith by a responsible financial or accounting officer of the Company. Any such *pro forma* calculation may include adjustments appropriate, in the reasonable good faith determination of the Company as set forth in an Officer's Certificate, to reflect (1) operating expense reductions and other operating improvements or synergies reasonably expected to result from the applicable event and (2) all adjustments of the nature used in connection with the calculation of "Adjusted EBITDA" as set forth in the Offering Memorandum under the heading "Summary—Summary Financial and Operating Data" to the extent such adjustments, without duplication, continue to be applicable to such four-quarter period.

For purposes of this definition, any amount in a currency other than U.S. dollars will be converted to U.S. dollars based on the average exchange rate for such currency for the most recent twelve-month period immediately prior to the date of determination in a manner consistent with that used in calculating EBITDA for the applicable period.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"Security Documents" means the Collateral Agreement and the security agreements, pledge agreements, collateral assignments, Mortgages and related agreements, as amended, supplemented, restated, renewed, refunded, replaced, restructured, repaid, refinanced or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by this Indenture.

“Series” means (a) with respect to the First Lien Secured Parties, each of (i) the Credit Agreement Secured Parties (in their capacities as such), (ii) the holders of the Notes and the Trustee, each in their capacity as such) and (iii) the Additional First Lien Secured Parties that become subject to the First Lien Intercreditor Agreement after the date hereof that are represented by a common Authorized Representative (in its capacity as such for such Additional First Lien Secured Parties) and (b) with respect to any First Priority Lien Obligations, each of (i) the Credit Agreement Obligations, (ii) the Notes Obligations and (iii) the Additional First Priority Lien Obligations incurred pursuant to any applicable agreement, which pursuant to any joinder agreement, are to be represented under the First Lien Intercreditor Agreement by a common Authorized Representative (in its capacity as such for such Additional First Priority Lien Obligations).

“Significant Subsidiary” means any Restricted Subsidiary that would be a “Significant Subsidiary” of the Company within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC (or any successor provision).

“Similar Business” means a business, the majority of whose revenues are derived from the activities of the Company and its Subsidiaries as of the Issue Date or any business or activity that is reasonably similar or complementary thereto or a reasonable extension, development or expansion thereof or ancillary thereto.

“Specified Amount” means (1) at any time after the Issue Date until the 12 month anniversary of the Issue Date, \$10,000,000, (2) at any time after the Company has made a Specified Restricted Payment until the 12-month anniversary of the making of such Specified Restricted Payment, \$10,000,000 and (3) at any time more than 12 months has elapsed since the later of the Issue Date and the date of the most recent Specified Restricted Payment (such date, the “Measurement Date”), an amount equal to the lesser of (i) \$10,000,000 for each 12 month period that has elapsed since the Measurement Date and (ii) 50% of the amount of the Specified Restricted Payment that triggers the obligation to repay, repurchase or offer to purchase the Notes in an amount equal to the Specified Amount pursuant to Section 4.09.

“Sponsors” means (i) Apollo Management, L.P. and any of its respective Affiliates other than any portfolio companies (other than Caesars Entertainment Corporation, Caesars Operating or any Person whose assets principally comprise of the assets of either Caesars Entertainment Corporation or Caesars Operating) (collectively, the “*Apollo Sponsors*”), (ii) Texas Pacific Group and any of its respective Affiliates other than any portfolio companies (other than Caesars Entertainment Corporation, Caesars Operating or any Person whose assets principally comprise of the assets of either Caesars Entertainment Corporation or Caesars Operating) (collectively, the “*Texas Pacific Sponsors*”), (iii) any individual who is a partner or employee of an Apollo Sponsor or a Texas Pacific Sponsor that is licensed by a relevant gaming authority on the Issue Date or thereafter replaces such licensee and (iv) any Person that forms a group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision) with any Apollo Sponsors and/or Texas Pacific Sponsors; provided that the Apollo Sponsors and/or the Texas Pacific Sponsors (x) owns a majority of the voting power and (y) controls a majority of the Board of Directors of the Company.

“Stated Maturity” means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency beyond the control of the issuer unless such contingency has occurred).

“Subordinated Indebtedness” means (a) with respect to the Company, any Indebtedness of the Company which is by its terms subordinated in right of payment to the Notes, and (b) with respect to any Subsidiary Guarantor, any Indebtedness of such Subsidiary Guarantor which is by its terms subordinated in right of payment to obligations in respect of the Notes.

“Subsidiary” means, with respect to any Person, (1) any corporation, association or other business entity (other than a partnership, joint venture or limited liability company) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, and (2) any partnership, joint venture or limited liability company of which (x) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (y) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

“Subsidiary Guarantor” means any Subsidiary of the Company that is subject to a Note Guarantee; *provided* that upon the release or discharge of such Subsidiary from its obligations under its Note Guarantee in accordance with this Indenture or the Security Documents, such Subsidiary ceases to be a Subsidiary Guarantor.

“Suspension Period” means the period of time between a Covenant Suspension Event and the related Reversion Date.

“Taking” means any taking of all or any portion of the Collateral by condemnation or other eminent domain proceedings, pursuant to any law, general or special, or by reason of the temporary requisition of the use or occupancy of all or any portion of the Collateral by any governmental authority, civil or military, or any sale pursuant to the exercise by any such governmental authority of any right which it may then have to purchase or designate a purchaser or to order a sale of all or any portion of the Collateral.

“Tax Distributions” means any distributions described in Section 4.04(b)(xi).

“TIA” or “Trust Indenture Act” means the Trust Indenture Act of 1939 (15 U.S.C. Sections 77aaa-77bbb) as in effect on the date of this Indenture.

“Total Assets” means the total consolidated assets of the Company and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Company, without giving effect to any amortization of the amount of intangible assets since October 1, 2011.

“Transactions” means the transactions described in the “Use of Proceeds” section of the Offering Memorandum, including without limitation the Restricted Payment of up to \$92.5 million of the proceeds of the Initial Notes to Caesars Operating or one of its subsidiaries on or following the Issue Date.

“Treasury Rate” means, as of the applicable redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to such redemption date or, in the case of a satisfaction and discharge or a defeasance, at least two Business Days prior to the date on which the Issuers deposit the amounts required under the Indenture (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to February 1, 2016; *provided, however*, that if the period from such redemption date to February 1, 2016 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

“Trust Officer” means:

(1) any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such Person’s knowledge of and familiarity with the particular subject, and

(2) who shall have direct responsibility for the administration of this Indenture.

“Trustee” means the party named as such in this Indenture until a successor replaces it and, thereafter, means the successor.

“Uniform Commercial Code” or “UCC” means the New York Uniform Commercial Code as in effect from time to time.

“Unrestricted Subsidiary” means:

(1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of such Person in the manner provided below; and

(2) any Subsidiary of an Unrestricted Subsidiary;

The Company may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary of the Company) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Equity Interests or Indebtedness of, or owns or holds any Lien on any property of, the Company or any other Subsidiary of the Company that is not a Subsidiary of the Subsidiary to be so designated; *provided, however*, that the Subsidiary to be so designated and its Subsidiaries do not at the time of designation have and do not thereafter Incur any Indebtedness pursuant to which the lender has recourse to any of the assets of the Company or any of its Restricted Subsidiaries; *provided, further, however*, that either:

- (a) the Subsidiary to be so designated has total consolidated assets of \$1,000 or less; or
- (b) if such Subsidiary has consolidated assets greater than \$1,000, then such designation would be permitted under Section 4.04.

The Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided, however*, that immediately after giving effect to such designation:

- (x) (1) the Company could Incur \$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.03(a), or (2) the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries would be greater than such ratio for the Company and its Restricted Subsidiaries immediately prior to such designation, in each case on a *pro forma* basis taking into account such designation, and
- (y) no Event of Default shall have occurred and be continuing.

Any such designation by Company shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors or any committee thereof of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"U.S. Government Obligations" means securities that are:

- (1) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged, or
- (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America,

which, in each case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act) as custodian with respect to any such U.S. Government Obligations or a specific payment of principal of or interest on any such U.S. Government Obligations held by such custodian for the account of the holder of such depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such

depository receipt from any amount received by the custodian in respect of the U.S. Government Obligations or the specific payment of principal of or interest on the U.S. Government Obligations evidenced by such depository receipt.

“Voting Stock” of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

“Weighted Average Life to Maturity” means, when applied to any Indebtedness or Disqualified Stock or Preferred Stock, as the case may be, at any date, the quotient obtained by dividing (1) the sum of the products of the number of years from the date of determination to the date of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Disqualified Stock or Preferred Stock multiplied by the amount of such payment, by (2) the sum of all such payments.

“Wholly Owned Restricted Subsidiary” is any Wholly Owned Subsidiary that is a Restricted Subsidiary.

“Wholly Owned Subsidiary” of any Person means a Subsidiary of such Person 100% of the outstanding Capital Stock or other ownership interests of which (other than directors’ qualifying shares or shares required to be held by Foreign Subsidiaries) shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries of such Person.

SECTION 1.02. Other Definitions.

<u>Term</u>	<u>Defined in Section</u>
“Affiliate Transaction”	4.07
“Asset Sale Offer”	4.06(b)
“Bankruptcy Law”	6.01
“Change of Control Offer”	4.08(b)
“Company”	Preamble
“Chester Finance”	Preamble
“covenant defeasance option”	8.01(b)
“Covenant Suspension Event”	4.17
“Custodian”	6.01
“Definitive Note”	Appendix A
“Depository”	Appendix A
“Disqualified Holder”	2.15
“Event of Default”	6.01
“Excess Proceeds”	4.06(b)
“Exchange Notes”	Preamble
“Global Notes”	Appendix A
“Global Notes Legend”	Appendix A
“Guaranteed Obligations”	12.01(a)
“IAI”	Appendix A
“Initial Notes”	Preamble
“Interest Payment Date”	Exhibit A

<u>Term</u>	<u>Defined in Section</u>
“Issuers”	Preamble
“legal defeasance option”	8.01(b)
“Notes”	Preamble
“Notes Custodian”	Appendix A
“Notice of Default”	6.01
“Offer Period”	4.06(d)
“Paying Agent”	2.04(a)
“protected purchaser”	2.08
“QIB”	Appendix A
“Record Date”	Exhibit A
“Refinancing Indebtedness”	4.03(b)
“Refunding Capital Stock”	4.04(b)
“Registrar”	2.04(a)
“Regulation S”	Appendix A
“Regulation S Notes”	Appendix A
“Restricted Notes Legend”	Appendix A
“Restricted Payment”	4.04(a)
“Restricted Period”	Appendix A
“Retired Capital Stock”	4.04(b)
“Reversion Date”	4.17
“Rule 501”	Appendix A
“Rule 144A”	Appendix A
“Rule 144A Notes”	Appendix A
“Second Commitment”	4.06(b)
“Specified Restricted Payment”	4.04
“Specified Restricted Payment Offer”	4.09
“Successor Company”	5.01(a)
“Suspended Covenants”	4.17
“Transfer Restricted Definitive Notes”	Appendix A
“Transfer Restricted Global Notes”	Appendix A
“Unrestricted Definitive Notes”	Appendix A
“Unrestricted Global Notes”	Appendix A

SECTION 1.03. Incorporation by Reference of Trust Indenture Act. Whenever this Indenture refers to a provision of the TIA, the provision is incorporated in and made part of this Indenture. The following TIA terms have the following meanings:

“Commission” means the SEC.

“indenture securities” means the Notes and any Note Guarantee.

“indenture security holder” means a holder.

“indenture to be qualified” means this Indenture.

“indenture trustee” or “institutional trustee” means the Trustee.

“obligor” on the indenture securities means the Issuers and each Subsidiary Guarantor and any other obligor on the Notes.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule have the meanings assigned to them by such definitions.

SECTION 1.04. Rules of Construction. Unless the context otherwise requires:

(a) a term has the meaning assigned to it;

(b) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(c) “or” is not exclusive;

(d) “including” means including without limitation;

(e) words in the singular include the plural and words in the plural include the singular;

(f) unsecured Indebtedness shall not be deemed to be subordinate or junior to Secured Indebtedness merely by virtue of its nature as unsecured Indebtedness;

(g) the principal amount of any non-interest bearing or other discount security at any date shall be the principal amount thereof that would be shown on a balance sheet of the issuer dated such date prepared in accordance with GAAP;

(h) the principal amount of any Preferred Stock shall be (i) the maximum liquidation value of such Preferred Stock or (ii) the maximum mandatory redemption or mandatory repurchase price with respect to such Preferred Stock, whichever is greater;

(i) unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP; and

(j) “\$” and “U.S. dollars” each refer to United States dollars, or such other money of the United States of America that at the time of payment is legal tender for payment of public and private debts.

ARTICLE II

THE NOTES

SECTION 2.01. Amount of Notes. The aggregate principal amount of Notes which may be authenticated and delivered under this Indenture on the Issue Date is \$330,000,000.

The Issuers may from time to time after the Issue Date issue Additional Notes under this Indenture in an unlimited principal amount, so long as (i) the Incurrence of the Indebtedness represented by such Additional Notes is at such time permitted by Section 4.03 and (ii) such Additional Notes are issued in compliance with the other applicable provisions of this Indenture. With respect to any Additional Notes issued after the Issue Date (except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Notes pursuant to Section 2.07, 2.08, 2.09, 3.06, 4.06(f), 4.08(c), 4.09(c) or Appendix A), there shall be (a) established in or pursuant to a resolution of the Board of Directors and (b) (i) set forth or determined in the manner provided in an Officer's Certificate or (ii) established in one or more indentures supplemental hereto, prior to the issuance of such Additional Notes:

(1) the aggregate principal amount of such Additional Notes which may be authenticated and delivered under this Indenture,

(2) the issue price and issuance date of such Additional Notes, including the date from which interest on such Additional Notes shall accrue; and

(3) if applicable, that such Additional Notes shall be issuable in whole or in part in the form of one or more Global Notes and, in such case, the respective depositaries for such Global Notes, the form of any legend or legends which shall be borne by such Global Notes in addition to or in lieu of those set forth in Exhibit A hereto and any circumstances in addition to or in lieu of those set forth in Section 2.2 of Appendix A in which any such Global Note may be exchanged in whole or in part for Additional Notes registered, or any transfer of such Global Note in whole or in part may be registered, in the name or names of Persons other than the depositary for such Global Note or a nominee thereof.

If any of the terms of any Additional Notes are established by action taken pursuant to a resolution of the Board of Directors, a copy of an appropriate record of such action shall be certified by the Secretary or any Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate or the indenture supplemental hereto setting forth the terms of the Additional Notes.

The Initial Notes, including any Additional Notes, may, at the Issuers' option, be treated as a single class for all purposes under this Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase.

SECTION 2.02. Form and Dating. Provisions relating to the Initial Notes are set forth in Appendix A, which is hereby incorporated in and expressly made a part of this Indenture. The (i) Initial Notes and the Trustee's certificate of authentication and (ii) any Additional Notes and the Trustee's certificate of authentication shall each be substantially in the form of Exhibit A hereto, which is hereby incorporated in and expressly made a part of this Indenture. The Notes may have notations, legends or endorsements required by law, stock

exchange rule, agreements to which the Issuers or any Subsidiary Guarantor is subject, if any, or usage (*provided* that any such notation, legend or endorsement is in a form acceptable to the Company). Each Note shall be dated the date of its authentication. The Notes shall be issuable only in registered form without interest coupons and in denominations of \$2,000 and any integral multiples of \$1,000.

SECTION 2.03. Execution and Authentication. The Trustee shall authenticate and make available for delivery upon a written order of the Company signed by one Officer (a) Initial Notes for original issue on the date hereof in an aggregate principal amount of \$330,000,000 and (b) subject to the terms of this Indenture, Additional Notes in an aggregate principal amount to be determined at the time of issuance and specified therein. Such order shall specify the amount of separate Note certificates to be authenticated, the principal amount of each of the Notes to be authenticated, the date on which the original issue of Notes is to be authenticated, the registered holder of each of the Notes and delivery instructions. Notwithstanding anything to the contrary in this Indenture or Appendix A, any issuance of Additional Notes after the Issue Date shall be in a principal amount of at least \$2,000 and integral multiples of \$1,000 in excess of \$2,000.

One Officer shall sign the Notes for each of the Issuers by manual or facsimile signature.

If an Officer whose signature is on a Note no longer holds that office at the time the Trustee authenticates the Note, the Note shall be valid nevertheless.

A Note shall not be valid until an authorized signatory of the Trustee manually signs the certificate of authentication on the Note. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture.

The Trustee may appoint one or more authenticating agents reasonably acceptable to the Company to authenticate the Notes. Any such appointment shall be evidenced by an instrument signed by a Trust Officer, a copy of which shall be furnished to the Company. Unless limited by the terms of such appointment, an authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as any Registrar, Paying Agent or agent for service of notices and demands.

SECTION 2.04. Registrar and Paying Agent.

(a) The Issuers shall maintain (i) an office or agency where Notes may be presented for registration of transfer or for exchange (the “Registrar”) and (ii) an office or agency where Notes may be presented for payment (the “Paying Agent”). The Registrar shall keep a register of the Notes and of their transfer and exchange. The Issuers may have one or more co-registrars and one or more additional paying agents. The term “Registrar” includes any co-registrars. The term “Paying Agent” includes the Paying Agent and any additional paying agents. The Issuers initially appoint the Trustee as Registrar, Paying Agent and the Notes Custodian with respect to the Global Notes.

(b) The Issuers may enter into an appropriate agency agreement with any Registrar or Paying Agent not a party to this Indenture, which shall incorporate the terms of the TIA. The agreement shall implement the provisions of this Indenture that relate to such agent. The Issuers shall notify the Trustee in writing of the name and address of any such agent. If the Issuers fail to maintain a Registrar or Paying Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.07. The Company or any of its domestically organized Wholly Owned Subsidiaries may act as Paying Agent or Registrar.

(c) The Issuers may remove any Registrar or Paying Agent upon written notice to such Registrar or Paying Agent and to the Trustee; *provided, however*, that no such removal shall become effective until (i) if applicable, acceptance of an appointment by a successor as evidenced by an appropriate agreement entered into by the Issuers and such successor Registrar or Paying Agent, as the case may be, and delivered to the Trustee or (ii) notification to the Trustee that the Trustee shall serve as Registrar or Paying Agent until the appointment of a successor in accordance with clause (i) above. The Registrar or Paying Agent may resign at any time upon written notice to the Issuers and the Trustee; *provided, however*, that the Trustee may resign as Paying Agent or Registrar only if the Trustee also resigns as Trustee in accordance with Section 7.08.

SECTION 2.05. Paying Agent to Hold Money in Trust. Prior to each due date of the principal of and interest on any Note, the Company shall deposit with each Paying Agent (or if the Company or a Wholly Owned Subsidiary is acting as Paying Agent, segregate and hold in trust for the benefit of the Persons entitled thereto) a sum sufficient to pay such principal and interest when so becoming due. The Issuers shall require each Paying Agent (other than the Trustee) to agree in writing that a Paying Agent shall hold in trust for the benefit of holders or the Trustee all money held by a Paying Agent for the payment of principal of and interest on the Notes, and shall notify the Trustee of any default by the Issuers in making any such payment. If the Company or a Wholly Owned Subsidiary of the Company acts as Paying Agent, it shall segregate the money held by it as Paying Agent and hold it in trust for the benefit of the Persons entitled thereto. The Issuers at any time may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed by such Paying Agent. Upon complying with this Section, a Paying Agent shall have no further liability for the money delivered to the Trustee.

SECTION 2.06. Holder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of holders. If the Trustee is not the Registrar, the Issuers shall furnish, or cause the Registrar to furnish, to the Trustee, in writing at least five Business Days before each Interest Payment Date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of holders.

SECTION 2.07. Transfer and Exchange. The Notes shall be issued in registered form and shall be transferable only upon the surrender of a Note for registration of transfer and in compliance with Appendix A. When a Note is presented to the Registrar with a request to register a transfer, the Registrar shall register the transfer as requested if its requirements therefor are met. When Notes are presented to the Registrar with a request to exchange them for an equal principal amount of Notes of other denominations, the Registrar shall make the exchange as

requested if the same requirements are met. To permit registration of transfers and exchanges, the Issuers shall execute and the Trustee shall authenticate Notes at the Registrar's request. The Issuers may require payment of a sum sufficient to pay all taxes, assessments or other governmental charges in connection with any transfer or exchange pursuant to this Section. The Issuers shall not be required to make, and the Registrar need not register, transfers or exchanges of Notes selected for redemption (except, in the case of Notes to be redeemed in part, the portion thereof not to be redeemed) or of any Notes for a period of 15 days before a selection of Notes to be redeemed.

Prior to the due presentation for registration of transfer of any Note, the Issuers, the Trustee, the Paying Agent and the Registrar may deem and treat the Person in whose name a Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest, if any, on such Note and for all other purposes whatsoever, whether or not such Note is overdue, and none of the Issuers, the Trustee, the Paying Agent or the Registrar shall be affected by notice to the contrary.

Any holder of a beneficial interest in a Global Note shall, by acceptance of such beneficial interest, agree that transfers of beneficial interests in such Global Note may be effected only through a book-entry system maintained by (a) the holder of such Global Note (or its agent) or (b) any holder of a beneficial interest in such Global Note, and that ownership of a beneficial interest in such Global Note shall be required to be reflected in a book entry.

All Notes issued upon any transfer or exchange pursuant to the terms of this Indenture shall evidence the same debt and shall be entitled to the same benefits under this Indenture as the Notes surrendered upon such transfer or exchange.

SECTION 2.08. Replacement Notes. If a mutilated Note is surrendered to the Registrar or if the holder of a Note claims that the Note has been lost, destroyed or wrongfully taken, the Issuers shall issue and the Trustee shall authenticate a replacement Note if the requirements of Section 8-405 of the Uniform Commercial Code are met, such that the holder (a) satisfies the Issuers or the Trustee within a reasonable time after such holder has notice of such loss, destruction or wrongful taking and the Registrar does not register a transfer prior to receiving such notification, (b) makes such request to the Issuers or the Trustee prior to the Note being acquired by a protected purchaser as defined in Section 8-303 of the Uniform Commercial Code (a "protected purchaser") and (c) satisfies any other reasonable requirements of the Trustee. If required by the Trustee or the Issuers, such holder shall furnish an indemnity bond sufficient in the judgment of the Trustee and the Issuers to protect the Issuers, the Trustee, a Paying Agent and the Registrar from any loss or liability that any of them may suffer if a Note is replaced and subsequently presented or claimed for payment. The Issuers and the Trustee may charge the holder for their expenses in replacing a Note (including without limitation, attorneys' fees and disbursements in replacing such Note). In the event any such mutilated, lost, destroyed or wrongfully taken Note has become or is about to become due and payable, the Issuers in their discretion may pay such Note instead of issuing a new Note in replacement thereof.

Every replacement Note is an additional obligation of the Issuers.

The provisions of this Section 2.08 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, lost, destroyed or wrongfully taken Notes.

SECTION 2.09. Outstanding Notes. Notes outstanding at any time are all Notes authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation and those described in this Section as not outstanding. Subject to Section 13.06, a Note does not cease to be outstanding because the Issuers or an Affiliate of the Issuers holds the Note.

If a Note is replaced pursuant to Section 2.08 (other than a mutilated Note surrendered for replacement), it ceases to be outstanding unless the Trustee and the Issuers receive proof satisfactory to them that the replaced Note is held by a protected purchaser. A mutilated Note ceases to be outstanding upon surrender of such Note and replacement thereof pursuant to Section 2.08.

If a Paying Agent segregates and holds in trust, in accordance with this Indenture, on a redemption date or maturity date money sufficient to pay all principal and interest payable on that date with respect to the Notes (or portions thereof) to be redeemed or maturing, as the case may be, and no Paying Agent is prohibited from paying such money to the holders on that date pursuant to the terms of this Indenture, then on and after that date such Notes (or portions thereof) cease to be outstanding and interest on them ceases to accrue.

SECTION 2.10. [Intentionally Omitted.]

SECTION 2.11. Cancellation. The Issuers at any time may deliver Notes to the Trustee for cancellation. The Registrar and each Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel all Notes surrendered for registration of transfer, exchange, payment or cancellation and shall dispose of canceled Notes in accordance with its customary procedures. The Issuers may not issue new Notes to replace Notes they have redeemed, paid or delivered to the Trustee for cancellation. The Trustee shall not authenticate Notes in place of canceled Notes other than pursuant to the terms of this Indenture.

SECTION 2.12. Defaulted Interest. If the Issuers default in a payment of interest on the Notes, the Issuers shall pay the defaulted interest then borne by the Notes (*plus* interest on such defaulted interest to the extent lawful) in any lawful manner. The Issuers may pay the defaulted interest to the Persons who are holders on a subsequent special record date. The Issuers shall fix or cause to be fixed any such special record date and payment date to the reasonable satisfaction of the Trustee and shall promptly mail or cause to be mailed to each affected holder a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

SECTION 2.13. CUSIP Numbers, ISINs, Etc. The Issuers in issuing the Notes may use CUSIP numbers, ISINs and “Common Code” numbers (if then generally in use) and, if so, the Trustee shall use CUSIP numbers, ISINs and “Common Code” numbers in notices of redemption as a convenience to holders; *provided, however*, that any such notice may state that no representation is made as to the correctness of such numbers, either as printed on the Notes or

as contained in any notice of a redemption that reliance may be placed only on the other identification numbers printed on the Notes and that any such redemption shall not be affected by any defect in or omission of such numbers. The Issuers shall advise in writing the Trustee of any change in the CUSIP numbers, ISINs and “Common Code” numbers.

SECTION 2.14. Calculation of Principal Amount of Notes. The aggregate principal amount of the Notes, at any date of determination, shall be the principal amount of the Notes at such date of determination. With respect to any matter requiring consent, waiver, approval or other action of the holders of a specified percentage of the principal amount of all the Notes, such percentage shall be calculated, on the relevant date of determination, by dividing (a) the principal amount, as of such date of determination, of Notes, the holders of which have so consented, by (b) the aggregate principal amount, as of such date of determination, of the Notes then outstanding, in each case, as determined in accordance with the preceding sentence, Section 2.09 and Section 13.06 of this Indenture. Any such calculation made pursuant to this Section 2.14 shall be made by the Issuers and delivered to the Trustee pursuant to an Officers’ Certificate.

SECTION 2.15. Mandatory Disposition Pursuant to Gaming Laws. Each person that holds or acquires beneficial ownership of any of the Notes shall be deemed to have agreed, by accepting such Notes, that if any Gaming Authority requires such person to be approved, licensed, qualified or found suitable under applicable Gaming Laws, such holder or beneficial owner, as the case may be, shall apply for a license, qualification or finding of suitability within the required time period.

If a person required to apply or become licensed or qualified or be found suitable fails to do so (a “Disqualified Holder”), the Issuers shall have the right, at their election, (1) to require such person to dispose of its Notes or beneficial interest therein within 30 days of receipt of notice of such election or such earlier date as may be required by such Gaming Authority or (2) to redeem such Notes at a redemption price that, unless otherwise directed by such Gaming Authority, shall be at a redemption price that is equal to the lesser of:

(a) such person’s cost, or

(b) 100% of the principal amount thereof, *plus* accrued and unpaid interest, if any, to the earlier of (i) the redemption date or (ii) the date such person became a Disqualified Holder.

The Company shall notify the Trustee and applicable Gaming Authority in writing of any such redemption as soon as practicable. The Company shall not be responsible for any costs or expenses any such holder may Incur in connection with its application for a license, qualification or finding of suitability.

ARTICLE III

REDEMPTION

SECTION 3.01. Redemption. The Notes may be redeemed, in whole, or from time to time in part, subject to the conditions and at the redemption prices set forth in Paragraph

5 of the form of Note set forth in Exhibit A hereto, which are hereby incorporated by reference and made a part of this Indenture, together with accrued and unpaid interest to the redemption date.

SECTION 3.02. Applicability of Article. Redemption of Notes at the election of the Issuers or otherwise, as permitted or required by any provision of this Indenture, shall be made in accordance with such provision and this Article.

SECTION 3.03. Notices to Trustee. If the Issuers elect to redeem Notes pursuant to the optional redemption provisions of Paragraph 5 of the Note, they shall notify the Trustee in writing of (i) the Section of this Indenture (or the provisions of Exhibit A hereto) pursuant to which the redemption shall occur, (ii) the redemption date, (iii) the principal amount of Notes to be redeemed and (iv) the redemption price. The Issuers shall give notice to the Trustee provided for in this paragraph at least 35 days but not more than 60 days before a redemption date if the redemption is pursuant to Paragraph 5 of the Note, unless a shorter period is acceptable to the Trustee. Such notice shall be accompanied by an Officers' Certificate and Opinion of Counsel from the Company to the effect that such redemption will comply with the conditions herein, as well as such notice required to be delivered under Section 3.05 below. If fewer than all the Notes are to be redeemed, the record date relating to such redemption shall be selected by the Issuers and given to the Trustee, which record date shall be not fewer than 15 days after the date of notice to the Trustee. Any such notice may be canceled at any time prior to notice of such redemption being mailed to any holder and shall thereby be void and of no effect.

SECTION 3.04. Selection of Notes to Be Redeemed. In the case of any partial redemption, selection of the Notes for redemption will be made by the Trustee on a pro rata basis by lot or by such other method as may be required or applied by the Depository's rules and procedures to the extent practicable; *provided* that no Notes of \$2,000 or less shall be redeemed in part. The Trustee shall make the selection from outstanding Notes not previously called for redemption. The Trustee may select for redemption portions of the principal of Notes that have denominations larger than \$2,000. Notes and portions of them the Trustee selects shall be in amounts of \$2,000 or any integral multiple of \$1,000. Provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption. The Trustee shall notify the Issuers promptly of the Notes or portions of Notes to be redeemed.

SECTION 3.05. Notice of Optional Redemption.

(a) At least 30 days but not more than 60 days before a redemption date pursuant to Paragraph 5 of the Note, the Issuers shall deliver or cause to be delivered a notice of redemption to each holder whose Notes are to be redeemed.

Any such notice shall identify the Notes to be redeemed and shall state:

- (i) the redemption date;
- (ii) the redemption price and the amount of accrued interest to the redemption date;
- (iii) the name and address of the Paying Agent;

- (iv) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price, *plus* accrued interest;
- (v) if fewer than all the outstanding Notes are to be redeemed, the certificate numbers and principal amounts of the particular Notes to be redeemed, the aggregate principal amount of Notes to be redeemed and the aggregate principal amount of Notes to be outstanding after such partial redemption;
- (vi) that, unless the Issuers default in making such redemption payment or the Paying Agent is prohibited from making such payment pursuant to the terms of this Indenture, interest on Notes (or portion thereof) called for redemption ceases to accrue on and after the redemption date;
- (vii) the CUSIP number, ISIN and/or “Common Code” number, if any, printed on the Notes being redeemed; and
- (viii) that no representation is made as to the correctness or accuracy of the CUSIP number or ISIN and/or “Common Code” number, if any, listed in such notice or printed on the Notes.

(b) At the Issuers’ request, the Trustee shall give the notice of redemption in the Issuers’ name and at the Issuers’ expense. In such event, the Issuers shall provide the Trustee with the information required by this Section at least five Business Days prior to the date such notice is to be provided to holders in the final form such notice is to be delivered to holders and such notice may not be canceled.

SECTION 3.06. Effect of Notice of Redemption. Once notice of redemption is mailed in accordance with Section 3.05, Notes called for redemption become due and payable on the redemption date and at the redemption price stated in the notice, except as provided in the final sentence of paragraph 5 of the Notes. Upon surrender to the Paying Agent, such Notes shall be paid at the redemption price stated in the notice, *plus* accrued interest, to, but not including, the redemption date; *provided, however*, that if the redemption date is after a regular Record Date and on or prior to the Interest Payment Date, the accrued interest shall be payable to the holder of the redeemed Notes registered on the relevant Record Date. Failure to give notice or any defect in the notice to any holder shall not affect the validity of the notice to any other holder.

SECTION 3.07. Deposit of Redemption Price. With respect to any Notes, prior to 10:00 a.m., New York City time, on the redemption date, the Company shall deposit with the Paying Agent (or, if the Company or a Wholly Owned Subsidiary is the Paying Agent, shall segregate and hold in trust) money sufficient to pay the redemption price of and accrued interest on all Notes or portions thereof to be redeemed on that date other than Notes or portions of Notes called for redemption that have been delivered by the Company to the Trustee for cancellation. On and after the redemption date, interest shall cease to accrue on Notes or portions thereof called for redemption so long as the Company has deposited with the Paying Agent funds sufficient to pay the principal of, *plus* accrued and unpaid interest on, the Notes to be redeemed, unless the Paying Agent is prohibited from making such payment pursuant to the terms of this Indenture.

SECTION 3.08. Notes Redeemed in Part. Upon surrender of a Note that is redeemed in part, the Issuers shall execute and the Trustee shall authenticate for the holder (at the Issuers' expense) a new Note equal in principal amount to the unredeemed portion of the Note surrendered.

ARTICLE IV

COVENANTS

SECTION 4.01. Payment of Notes. The Issuers shall promptly pay the principal of and interest on the Notes on the dates and in the manner provided in the Notes and in this Indenture. An installment of principal of or interest shall be considered paid on the date due if on such date the Trustee or the Paying Agent holds as of 12:00 p.m. Eastern time money sufficient to pay all principal and interest then due and the Trustee or the Paying Agent, as the case may be, is not prohibited from paying such money to the holders on that date pursuant to the terms of this Indenture.

The Issuers shall pay interest on overdue principal at the rate specified therefor in the Notes, and they shall pay interest on overdue installments of interest at the same rate borne by the Notes to the extent lawful.

SECTION 4.02. Reports and Other Information.

(a) At all times when the Company is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company will, so long as any Notes are outstanding,

(i) deliver to the Trustee a copy of the following information and reports of the Company and its Restricted Subsidiaries prepared on a consolidated basis in accordance with GAAP (as in effect at such time) and containing detail substantially consistent with the corresponding information included in the Offering Memorandum: (a) within 105 days of the end of each fiscal year, annual audited financial statements for such fiscal year (along with customary comparative results) and (b) within 60 days of the end of each of the first three fiscal quarters of every fiscal year, unaudited financial statements for the interim period as of, and for the period ending on, the end of such fiscal quarter (along with comparative results for the corresponding interim period in the prior year), in each case including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" with respect to the periods presented, a presentation of "Property EBITDA" and "Adjusted EBITDA" and, with respect to the annual information only, a report on the annual financial statements by the Company's independent registered public accounting firm; and

(ii) substantially concurrently with the furnishing or delivering such information to the Trustee pursuant to clause (i) above, the Company shall also post copies of such information required by clause (i) above on a website (which may be

nonpublic and may be maintained by the Company or a third party) to which access will be given to the Holders, prospective investors in the Notes (which prospective investors shall be limited to “qualified institutional buyers” within the meaning of Rule 144A of the Securities Act or non-U.S. persons (as defined in Regulation S under the Securities Act) that certify their status as such to the reasonable satisfaction of the Company), and securities analysts and market making financial institutions that are reasonably satisfactory to the Company.

(b) Notwithstanding the foregoing, (a) the Company may satisfy its obligations to deliver the information referred to in Section 4.02(a) above by filing that information for public availability with the SEC, (b) so long as the Company is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, no certifications or attestations concerning the financial statements or disclosure controls and procedures or internal control that would otherwise be required pursuant to the Sarbanes-Oxley Act of 2002 shall be required and (c) nothing contained in this Indenture shall otherwise require the Company to comply with the terms of the Sarbanes-Oxley Act of 2002 at any time when it would not otherwise be subject to such statute.

(c) At all times when the Company is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company will, so long as any Notes are outstanding, furnish to the Trustee and the holders of the Notes (which may be satisfied by posting materials to the SEC’s EDGAR service), in each case within the time period specified in the SEC’s rules and regulations for non-accelerated filers:

(i) all quarterly and annual information required to be contained in a filing with the SEC on Forms 10-Q and 10-K, including a “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and, with respect to the annual information only, a report on the annual financial statements by the Company’s independent registered public accounting firm; and

(ii) all current reports required to be filed with the SEC on Form 8-K.

(d) In addition, the Company will make such information available to prospective investors upon request (which prospective investors shall be limited to “qualified institutional buyers” within the meaning of Rule 144A of the Securities Act or non-U.S. persons (as defined in Regulation S under the Securities Act) that certify their status as such to the reasonable satisfaction of the Company). In addition, the Company has agreed that, for so long as any Notes remain outstanding during any period when it is not subject to Section 13 or 15(d) of the Exchange Act, or otherwise permitted to furnish the SEC with certain information pursuant to Rule 12g3-2(b) of the Exchange Act, it will furnish to the holders of the Notes and to such prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(e) On the date of this Indenture, the Company is not subject to the requirements of Section 13 or 15(d) of the Exchange Act and is not a non-accelerated filer. The Company will notify the Trustee in writing within 60 days of becoming subject to the requirements of Section 13 or 15(d) of the Exchange Act or of becoming a non-accelerated filer.

SECTION 4.03. Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock.

(a) (i) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness) or issue any shares of Disqualified Stock; and (ii) the Company shall not permit any of its Restricted Subsidiaries (other than a Subsidiary Guarantor) to issue any shares of Preferred Stock; *provided, however*, that the Company and any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) or issue shares of Disqualified Stock if the Fixed Charge Coverage Ratio of the Company for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is Incurred or such Disqualified Stock or Preferred Stock is issued would have been at least 2.00 to 1.00 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been Incurred, or the Disqualified Stock or Preferred Stock had been issued, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such four-quarter period.

(b) The limitations set forth in Section 4.03(a) shall not apply to:

(i) the Incurrence by the Company or its Restricted Subsidiaries of Bank Indebtedness and the issuance and creation of letters of credit and bankers' acceptances thereunder up to an aggregate principal amount outstanding at any time equal to \$15.0 million plus the Retired Notes Amount available at such time;

(ii) the Incurrence by the Company, Chester Finance and the Subsidiary Guarantors of Indebtedness represented by the Notes (not including any Additional Notes) and any Note Guarantees;

(iii) Indebtedness existing on the Issue Date (other than Indebtedness described in clauses (i) and (ii) of this Section 4.03(b));

(iv) Indebtedness (including Capitalized Lease Obligations and purchase money indebtedness) Incurred by the Company or any of its Restricted Subsidiaries, Disqualified Stock issued by the Company or any of its Restricted Subsidiaries and Preferred Stock issued by any Restricted Subsidiaries of the Company to finance (whether prior to or within 270 days after) the acquisition, lease, construction, repair, replacement or improvement of property (real or personal) or equipment (whether through the direct purchase of assets or the Capital Stock of any Person owning such assets) in an aggregate principal amount which, when aggregated with the principal amount or liquidation preference of all other Indebtedness then outstanding and Incurred pursuant to this clause (iv), together with any Refinancing Indebtedness then outstanding and Incurred in respect thereof, does not exceed the greater of \$10.0 million and 3.0% of Total Assets at the time of Incurrence;

(v) Indebtedness Incurred by the Company or any of its Restricted Subsidiaries constituting reimbursement obligations with respect to letters of credit and bank guarantees issued in the ordinary course of business, including without limitation

letters of credit in respect of workers' compensation claims, health, disability or other benefits to employees or former employees or their families or property, casualty or liability insurance or self-insurance, and letters of credit in connection with the maintenance of, or pursuant to the requirements of, environmental or other permits or licenses from governmental authorities, or other Indebtedness with respect to reimbursement type obligations regarding workers' compensation claims;

(vi) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, Incurred in connection with any acquisition or disposition of any business, assets or a Subsidiary of the Company in accordance with the terms of this Indenture, other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition;

(vii) Indebtedness of the Company to a Restricted Subsidiary; *provided* that (except in respect of intercompany current liabilities Incurred in the ordinary course of business in connection with the cash management operations of the Company and its Subsidiaries) any such Indebtedness owed to a Restricted Subsidiary that is not a Subsidiary Guarantor is subordinated in right of payment to the obligations of the Company under the Notes; *provided, further*, that any subsequent issuance or transfer of any Capital Stock or any other event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such Indebtedness (except to the Company or another Restricted Subsidiary or any pledge of such Indebtedness constituting a Permitted Lien) shall be deemed, in each case, to be an Incurrence of such Indebtedness not permitted by this clause (vii);

(viii) shares of Preferred Stock of a Restricted Subsidiary issued to the Company or another Restricted Subsidiary; *provided* that any subsequent issuance or transfer of any Capital Stock or any other event which results in any Restricted Subsidiary that holds such shares of Preferred Stock of another Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such shares of Preferred Stock (except to the Company or another Restricted Subsidiary) shall be deemed, in each case, to be an issuance of shares of Preferred Stock not permitted by this clause (viii);

(ix) Indebtedness of a Restricted Subsidiary to the Company or another Restricted Subsidiary; *provided* that if a Subsidiary Guarantor Incurs such Indebtedness to a Restricted Subsidiary that is not a Subsidiary Guarantor (except in respect of intercompany current liabilities Incurred in the ordinary course of business in connection with the cash management operations of the Company and its Subsidiaries), such Indebtedness is subordinated in right of payment to the obligations of such Subsidiary Guarantor in respect of the Notes; *provided, further*, that any subsequent issuance or transfer of any Capital Stock or any other event which results in any Restricted Subsidiary holding such Indebtedness ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such Indebtedness (except to the Company or another Restricted Subsidiary or any pledge of such Indebtedness constituting a Permitted Lien) shall be deemed, in each case, to be an Incurrence of such Indebtedness not permitted by this clause (ix);

(x) Hedging Obligations that are not Incurred for speculative purposes but (1) for the purpose of fixing or hedging interest rate risk with respect to any Indebtedness that is permitted by the terms of this Indenture to be outstanding; (2) for the purpose of fixing or hedging currency exchange rate risk with respect to any currency exchanges; or (3) for the purpose of fixing or hedging commodity price risk with respect to any commodity purchases or sales;

(xi) obligations (including reimbursement obligations with respect to letters of credit and bank guarantees) in respect of performance, bid, appeal and surety bonds and completion guarantees provided by the Company or any Restricted Subsidiary in the ordinary course of business or consistent with past practice or industry practice;

(xii) Indebtedness or Disqualified Stock of the Company or, Indebtedness, Disqualified Stock or Preferred Stock of any Restricted Subsidiary of the Company not otherwise permitted hereunder in an aggregate principal amount or liquidation preference which, when aggregated with the principal amount or liquidation preference of all other Indebtedness, Disqualified Stock and Preferred Stock then outstanding and Incurred pursuant to this clause (xii), does not exceed the greater of \$15.0 million and 4.0% of Total Assets at the time of Incurrence (it being understood that any Indebtedness Incurred pursuant to this clause (xii) shall cease to be deemed Incurred or outstanding for purposes of this clause (xii) but shall be deemed Incurred for purposes of Section 4.03(a) from and after the first date on which the Company, or the Restricted Subsidiary, as the case may be, could have Incurred such Indebtedness under Section 4.03(a) without reliance upon this clause (xii));

(xiii) Indebtedness or Disqualified Stock of the Company or any Restricted Subsidiary of the Company and Preferred Stock of any Restricted Subsidiary of the Company not otherwise permitted hereunder in an aggregate principal amount or liquidation preference not greater than 100.0% of the net cash proceeds received by the Company and its Restricted Subsidiaries since immediately after the Issue Date from the issue or sale of Equity Interests of the Company or any direct or indirect parent entity of the Company (which proceeds are contributed to the Company or its Restricted Subsidiary) or cash contributed to the capital of the Company (in each case other than proceeds of Disqualified Stock or sales of Equity Interests to, or contributions received from, the Company or any of its Subsidiaries) as determined in accordance with clauses (B) and (C) of the definition of "Cumulative Credit" to the extent such net cash proceeds or cash have not been applied pursuant to such clauses to make Restricted Payments or to make other Investments, payments or exchanges pursuant to Section 4.04(b) or to make Permitted Investments (other than Permitted Investments specified in clauses (1) and (3) of the definition thereof);

(xiv) any guarantee by the Company or any Restricted Subsidiary of the Company of Indebtedness or other obligations of the Company or any of its Restricted Subsidiaries so long as the Incurrence of such Indebtedness Incurred by the Company or

such Restricted Subsidiary is permitted under the terms of this Indenture; *provided* that (i) if such Indebtedness is by its express terms subordinated in right of payment to the Notes or the obligations of such Restricted Subsidiary in respect of the Notes, as applicable, any such guarantee of such Subsidiary Guarantor with respect to such Indebtedness shall be subordinated in right of payment to such Subsidiary Guarantor's obligations with respect to the Notes substantially to the same extent as such Indebtedness is subordinated to the Notes or the obligations of such Subsidiary Guarantor in respect of the Notes, as applicable and (ii) if such guarantee is of Indebtedness of the Company, such guarantee is Incurred in accordance with Section 4.12 solely to the extent such Section is applicable;

(xv) the Incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness or Disqualified Stock or Preferred Stock of a Restricted Subsidiary of the Company which serves to refund, refinance or defease any Indebtedness Incurred or Disqualified Stock or Preferred Stock issued as permitted under Section 4.03(a) and clauses (ii), (iii), (iv), (xiii), (xv), (xvi) and (xxii) of this Section 4.03(b) or any Indebtedness, Disqualified Stock or Preferred Stock Incurred to so refund or refinance such Indebtedness, Disqualified Stock or Preferred Stock, including any additional Indebtedness, Disqualified Stock or Preferred Stock Incurred to pay premiums (including tender premiums), expenses, defeasance costs and fees in connection therewith (subject to the following proviso, "Refinancing Indebtedness") prior to its respective maturity; *provided, however*, that such Refinancing Indebtedness:

(1) has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is Incurred which is not less than the shorter of (x) the remaining Weighted Average Life to Maturity of the Indebtedness, Disqualified Stock or Preferred Stock being refunded, refinanced or defeased and (y) the Weighted Average Life to Maturity that would result if all payments of principal on the Indebtedness, Disqualified Stock and Preferred Stock being refunded or refinanced that were due on or after the date that is one year following the last maturity date of any Notes then outstanding were instead due on such date;

(2) to the extent such Refinancing Indebtedness refinances, refunds or defeases (a) Indebtedness junior to the Notes or the obligations of such Restricted Subsidiary in respect of the Notes, as applicable, such Refinancing Indebtedness is junior to the Notes or such obligations of such Restricted Subsidiary, as applicable, or (b) Disqualified Stock or Preferred Stock, such Refinancing Indebtedness is Disqualified Stock or Preferred Stock; and

(3) shall not include (x) Indebtedness of a Restricted Subsidiary of the Company that is not a Subsidiary Guarantor that refinances Indebtedness of the Company or a Subsidiary Guarantor, or (y) Indebtedness of the Company or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary;

(xvi) Indebtedness, Disqualified Stock or Preferred Stock of (x) the Company or any of its Restricted Subsidiaries Incurred to finance an acquisition or (y) Persons that are acquired by the Company or any of its Restricted Subsidiaries or merged, consolidated or

amalgamated with or into the Company or any of its Restricted Subsidiaries in accordance with the terms of this Indenture; *provided* that after giving effect to such acquisition or merger, consolidation or amalgamation, either:

(1) the Company would be permitted to Incur at least \$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.03(a); or

(2) the Fixed Charge Coverage Ratio of the Company would be greater than immediately prior to such acquisition or merger, consolidation or amalgamation;

(xvii) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided* that such Indebtedness is extinguished within five Business Days of its Incurrence;

(xviii) Indebtedness of the Company or any Restricted Subsidiary supported by a letter of credit or bank guarantee issued pursuant to the Credit Agreement, in a principal amount not in excess of the stated amount of such letter of credit;

(xix) Indebtedness of the Company or any Restricted Subsidiary consisting of (1) the financing of insurance premiums or (2) take-or-pay obligations contained in supply arrangements, in each case, in the ordinary course of business;

(xx) Indebtedness consisting of Indebtedness issued by the Company or a Restricted Subsidiary of the Company to current or former officers, directors and employees thereof or any direct or indirect parent thereof, their respective estates, spouses or former spouses, in each case to finance the purchase or redemption of Equity Interests of the Company or any of its direct or indirect parent companies to the extent described in Section 4.04(b)(iv);

(xxi) Junior Capital in an aggregate principal amount not to exceed \$50.0 million at any one time outstanding; and

(xxii) Indebtedness in respect of any FF&E Facility; *provided*, however, that the aggregate principal amount of Indebtedness outstanding under this clause (xxii), when aggregated with the principal amount of all other Indebtedness then outstanding and Incurred pursuant to this clause (xxii), together with any Refinancing Indebtedness then outstanding and Incurred in respect thereof, does not exceed \$25.0 million.

(c) For purposes of determining compliance with this Section 4.03:

(i) in the event that an item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) meets the criteria of more than one of the categories of permitted Indebtedness described in clauses (i) through (xxii) of Section 4.03(b) or is entitled to be Incurred pursuant to Section 4.03(a), the Company shall, in its sole discretion, classify or reclassify, or later divide, classify or reclassify, such item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) in any manner that complies with this Section 4.03; and

(ii) at the time of Incurrence, the Company will be entitled to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in Section 4.03(a) and (b) without giving *pro forma* effect to the Indebtedness Incurred pursuant to Section 4.03(b) when calculating the amount of Indebtedness that may be Incurred pursuant to Section 4.03(a).

Accrual of interest, the accretion of accreted value, the payment of interest or dividends in the form of additional Indebtedness, Disqualified Stock or Preferred Stock, as applicable, amortization of original issue discount, the accretion of liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies will not be deemed to be an Incurrence of Indebtedness, Disqualified Stock or Preferred Stock for purposes of this Section 4.03. Guarantees of, or obligations in respect of letters of credit relating to, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included in the determination of such amount of Indebtedness; *provided* that the Incurrence of the Indebtedness represented by such guarantee or letter of credit, as the case may be, was in compliance with this Section 4.03.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term debt, or first committed or first Incurred (whichever yields the lower U.S. dollar equivalent), in the case of revolving credit debt; *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced.

(d) Notwithstanding any other provision of this Section 4.03, the maximum amount of Indebtedness that the Company and its Restricted Subsidiaries may incur pursuant to this Section 4.03 shall not be deemed to be exceeded, with respect to any outstanding Indebtedness, solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

SECTION 4.04. Limitation on Restricted Payments.

(a) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly:

(i) declare or pay any dividend or make any distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests, including any payment made in connection with any merger, amalgamation or consolidation involving the Company (other than (A) dividends or distributions by the Company payable solely in Equity Interests (other than Disqualified Stock) of the Company; or (B) dividends or distributions by a Restricted Subsidiary so long as, in the case of any dividend or distribution payable on or in respect of any class or series of securities issued by a Restricted Subsidiary other than a Wholly Owned Restricted Subsidiary, the Company or a Restricted Subsidiary receives at least its pro rata share of such dividend or distribution in accordance with its Equity Interests in such class or series of securities);

(ii) purchase or otherwise acquire or retire for value any Equity Interests of the Company or any direct or indirect parent of the Company;

(iii) make any principal payment on, or redeem, repurchase, defease or otherwise acquire or retire for value, in each case prior to any scheduled repayment or scheduled maturity, any Subordinated Indebtedness (other than Junior Capital) of the Company or any of its Restricted Subsidiaries (other than the payment, redemption, repurchase, defeasance, acquisition or retirement of (A) Subordinated Indebtedness (other than Junior Capital) in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such payment, redemption, repurchase, defeasance, acquisition or retirement and (B) Indebtedness permitted under clauses (vii) and (ix) of Section 4.03(b)); or

(iv) make any Restricted Investment

(all such payments and other actions set forth in clauses (i) through (iv) above being collectively referred to as “Restricted Payments”), unless, at the time of such Restricted Payment:

(1) no Default shall have occurred and be continuing or would occur as a consequence thereof;

(2) immediately after giving effect to such transaction on a *pro forma* basis, the Company could Incur \$1.00 of additional Indebtedness under Section 4.03(a);

(3) either (x) immediately after giving effect to such Restricted Payment on a *pro forma* basis, the Consolidated Total Leverage Ratio of the Company and its Restricted Subsidiaries is not greater than 3.00 to 1.00 or (y) if otherwise, within the twelve-month period immediately preceding or following the making of such Restricted Payment (any such Restricted Payment pursuant to this clause (3)(y), a “Specified Restricted Payment”), the Company shall have either (i) made a Specified Restricted Payment Offer pursuant to Section 4.09 or (ii) repaid or repurchased Notes pursuant to Section 3.01 or through open-market purchases, in each case, in an amount at least equal to the Specified Amount;

(4) the Liquidity of the Company and its Restricted Subsidiaries on a *pro forma* basis after giving effect to such Restricted Payment would be no less than \$10.0 million; and

(5) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries after the Issue Date (including Restricted Payments permitted by clauses (i), (ii) (with respect to the payment of dividends on Refunding Capital Stock (as defined below) pursuant to clause (C) thereof), (vi)(C), (vii), (xii) and (xvii) of Section 4.04(b), but excluding all other Restricted Payments permitted by Section 4.04(b)), is less than the amount equal to the Cumulative Credit.

(b) The provisions of Section 4.04(a) shall not prohibit:

(i) the payment of any dividend or distribution within 60 days after the date of declaration thereof, if at the date of declaration such payment would have complied with the provisions of this Indenture;

(ii)

(A) to the extent not used to pay dividends pursuant to clause (B) below, the redemption, repurchase, retirement or other acquisition of any Equity Interests ("Retired Capital Stock") or Subordinated Indebtedness (other than Junior Capital) of the Company, any direct or indirect parent of the Company or any Subsidiary Guarantor in exchange for, or out of the proceeds of, the substantially concurrent sale of, Equity Interests of the Company or any direct or indirect parent of the Company or contributions to the equity capital of the Company (other than any Disqualified Stock or any Equity Interests sold to a Subsidiary of the Company) (collectively, including any such contributions, "Refunding Capital Stock"),

(B) the declaration and payment of dividends on the Retired Capital Stock out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of Refunding Capital Stock, and

(C) if immediately prior to the retirement of Retired Capital Stock, the declaration and payment of dividends thereon was permitted under clause (vi) of this Section 4.04(b) and not made pursuant to clause (ii)(B), the declaration and payment of dividends on the Refunding Capital Stock (other than Refunding Capital Stock the proceeds of which were used to redeem, repurchase, retire or otherwise acquire any Equity Interests of any direct or indirect parent of the Company) in an aggregate amount per year no greater than the aggregate amount of dividends per annum that were declarable and payable on such Retired Capital Stock immediately prior to such retirement;

(iii) the redemption, repurchase, defeasance, or other acquisition or retirement of Subordinated Indebtedness (other than Junior Capital) of the Company or any Subsidiary Guarantor made by exchange for, or out of the proceeds of the substantially concurrent sale of, new Indebtedness of the Company or a Subsidiary Guarantor which is Incurred in accordance with Section 4.03 so long as:

(A) the principal amount (or accreted value, if applicable) of such new Indebtedness does not exceed the principal amount (or accreted value, if applicable), *plus* any accrued and unpaid interest, of the Subordinated Indebtedness being so redeemed, repurchased, defeased, acquired or retired for value (*plus* the amount of any premium required to be paid under the terms of the instrument governing the Subordinated Indebtedness being so redeemed, repurchased, acquired or retired, any tender premiums, *plus* any defeasance costs, fees and expenses Incurred in connection therewith),

(B) such Indebtedness is subordinated to the Notes or such Subsidiary Guarantor's obligations in respect of the Notes, as the case may be, at least to the same extent as such Subordinated Indebtedness so purchased, exchanged, redeemed, repurchased, defeased, acquired or retired for value,

(C) such Indebtedness has a final scheduled maturity date equal to or later than the earlier of (x) the final scheduled maturity date of the Subordinated Indebtedness being so redeemed, repurchased, acquired or retired and (y) 91 days following the last maturity date of any Notes then outstanding, and

(D) such Indebtedness has a Weighted Average Life to Maturity at the time Incurred which is not less than the shorter of (x) the remaining Weighted Average Life to Maturity of the Subordinated Indebtedness being so redeemed, repurchased, defeased, acquired or retired and (y) the Weighted Average Life to Maturity that would result if all payments of principal on the Subordinated Indebtedness being redeemed, repurchased, defeased, acquired or retired that were due on or after the date that is one year following the last maturity date of any Notes then outstanding were instead due on such date;

(iv) a Restricted Payment to pay for the repurchase, retirement or other acquisition for value of Equity Interests of the Company or any direct or indirect parent of the Company held by any future, present or former employee, director or consultant of the Company or any direct or indirect parent of the Company or any Subsidiary of the Company pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or other agreement or arrangement; *provided, however*, that the aggregate Restricted Payments made under this clause (iv) do not exceed \$2.0 million in any calendar year (with unused amounts in any calendar year being permitted to be carried over to succeeding calendar years subject to a maximum (without giving effect to the following proviso) of \$4.0 million in any calendar year (which shall increase to \$6.0 million subsequent to the consummation of an underwritten public Equity Offering of common stock); *provided, further*, however, that such amount in any calendar year may be increased by an amount not to exceed:

(A) the cash proceeds received by the Company or any of its Restricted Subsidiaries from the sale of Equity Interests (other than Disqualified Stock) of

the Company or any direct or indirect parent of the Company (to the extent contributed to the Company) to members of management, directors or consultants of the Company and its Restricted Subsidiaries or any direct or indirect parent of the Company that occurs after the Issue Date (*provided* that the amount of such cash proceeds utilized for any such repurchase, retirement, other acquisition or dividend will not increase the Cumulative Credit, *plus*

(B) the cash proceeds of key man life insurance policies received by the Company or any direct or indirect parent of the Company (to the extent contributed to the Company) or the Company's Restricted Subsidiaries after the Issue Date;

provided that the Company may elect to apply all or any portion of the aggregate increase contemplated by clauses (A) and (B) above in any calendar year; and *provided, further*, that cancellation of Indebtedness owing to the Company or any Restricted Subsidiary from any present or former employees, directors, officers or consultants of the Company, any of its Restricted Subsidiaries or its direct or indirect parents in connection with a repurchase of Equity Interests of the Company or any of its direct or indirect parents will not be deemed to constitute a Restricted Payment for purposes of this Section 4.04 or any other provision of this Indenture;

(v) the declaration and payment of dividends or distributions to holders of any class or series of Disqualified Stock of the Company or any of its Restricted Subsidiaries issued or Incurred in accordance with Section 4.03 to the extent such dividends are included in the definition of "Fixed Charges";

(vi) (A) the declaration and payment of dividends or distributions to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock) issued after the Issue Date;

(B) a Restricted Payment to any direct or indirect parent of the Company, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock) of any direct or indirect parent of the Company issued after the Issue Date; *provided* that the aggregate amount of dividends declared and paid pursuant to this clause (B) does not exceed the net cash proceeds actually received by the Company from any such sale of Designated Preferred Stock (other than Disqualified Stock) issued after the Issue Date; and

(C) the declaration and payment of dividends on Refunding Capital Stock that is Preferred Stock in excess of the dividends declarable and payable thereon pursuant to Section 4.04(b)(ii);

provided, however, in the case of each of (A) and (C) above of this clause (vi), that for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date of issuance of such Designated Preferred Stock, after giving effect to such issuance (and the payment of dividends or distributions) on a *pro forma* basis, the Company would have had a Fixed Charge Coverage Ratio of at least 2.00 to 1.00;

(vii) the payment of dividends on the Company's common stock (or a Restricted Payment to any direct or indirect parent of the Company to fund the payment by such direct or indirect parent of the Company of dividends on such entity's common stock) of up to 6% per annum of the net proceeds received by the Company from any public offering of common stock of the Company or any direct or indirect parent of the Company, other than public offerings with respect to the Company's (or such direct or indirect parent's) common stock registered on Form S-4 or Form S-8 and other than any public sale constituting an Excluded Contribution;

(viii) Restricted Payments that are made with Excluded Contributions;

(ix) other Restricted Payments in an aggregate amount not to exceed \$10.0 million; *provided*, however, that if the Consolidated Total Leverage Ratio of the Company, after giving effect to such Restricted Payment and any Incurrence of Indebtedness related thereto on a *pro forma* basis, is not greater than 4.00 to 1.00 at such time, such amount shall increase to \$20.0 million;

(x) the distribution, as a dividend or otherwise, of shares of Capital Stock of, or Indebtedness owed to the Company or a Restricted Subsidiary of the Company by, Unrestricted Subsidiaries;

(xi) the payment of dividends or other distributions to any direct or indirect parent of the Company that files a consolidated tax return that includes the Company and its subsidiaries (including, without limitation, by virtue of such parent being the common parent of a consolidated or combined tax group of which the Company and/or its Restricted Subsidiaries are members) in an amount not to exceed the amount that the Company and its Restricted Subsidiaries would have been required to pay in respect of federal, state or local taxes (as the case may be) if the Company and its Restricted Subsidiaries paid such taxes as a stand-alone taxpayer (or stand-alone group);

(xii) Restricted Payments in amounts required for any direct or indirect parent of the Company, if applicable, to pay interest and/or principal on Indebtedness the proceeds of which have been contributed to the Company or any of its Restricted Subsidiaries and that has been guaranteed by, or is otherwise considered Indebtedness of, the Company Incurred in accordance with Section 4.03;

(xiii) any Restricted Payment used to fund the Transactions and the payment of fees and expenses Incurred in connection with the Transactions or owed by the Company or Restricted Subsidiaries of the Company to Caesars Operating or its Affiliates, and any other payments made, including any such payments made to any direct or indirect parent of the Company to enable it to make payments, in connection with the consummation of the Transactions or otherwise, whether payable on the Issue Date or thereafter, in each case to the extent permitted by Section 4.07;

(xiv) repurchases of Equity Interests deemed to occur upon exercise of stock options or warrants if such Equity Interests represent a portion of the exercise price of such options or warrants;

(xv) Restricted Payments by the Company or any Restricted Subsidiary to allow the payment of cash in lieu of the issuance of fractional shares upon the exercise of options or warrants or upon the conversion or exchange of Capital Stock of any such Person;

(xvi) the repurchase, redemption or other acquisition or retirement for value of any Subordinated Indebtedness pursuant to the provisions similar to those described under Sections 4.06 and 4.08; *provided* that all Notes tendered by holders of the Notes in connection with a Change of Control Offer or Asset Sale Offer, as applicable, have been repurchased, redeemed or acquired for value;

(xvii) payments or distributions to dissenting stockholders pursuant to applicable law, pursuant to or in connection with a consolidation, amalgamation, merger or transfer of all or substantially all of the assets of the Company and its Restricted Subsidiaries, taken as a whole, that complies with Section 5.01; *provided* that as a result of such consolidation, amalgamation, merger or transfer of assets, the Company shall have made a Change of Control Offer (if required by this Indenture) and that all Notes tendered by holders in connection with such Change of Control Offer have been repurchased, redeemed or acquired for value; and

(xviii) Restricted Payments made to satisfy obligations to the holders of minority interests in the Company under the Company's operating agreement as in effect on the Issue Date, or any amendment, restatement, supplement, waiver or replacement thereto so long as, in the good faith judgment of a majority of the Board of Directors of the Company, such changes, when taken as a whole, are not materially adverse to the holders of the Notes;

provided, however, that at the time of, and after giving effect to, any Restricted Payment permitted under clauses (vi)(B), (vii), (ix), (x) and (xii) of this Section 4.04(b), no Default shall have occurred and be continuing or would occur as a consequence thereof.

(c) The Company will not permit any Unrestricted Subsidiary to become a Restricted Subsidiary except pursuant to the definition of "Unrestricted Subsidiary." For purposes of designating any Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding Investments by the Company and its Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments in an amount determined as set forth in the last sentence of the definition of "Investments." Such designation will only be permitted if a Restricted Payment or Permitted Investment in such amount would be permitted at such time and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

SECTION 4.05. Dividend and Other Payment Restrictions Affecting Subsidiaries. The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(a) (i) pay dividends or make any other distributions to the Company or any of its Restricted Subsidiaries (1) on its Capital Stock; or (2) with respect to any other interest or participation in, or measured by, its profits; or (ii) pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries;

(b) make loans or advances to the Company or any of its Restricted Subsidiaries; or

(c) sell, lease or transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries;

except in each case for such encumbrances or restrictions existing under or by reason of:

(1) contractual encumbrances or restrictions in effect on the Issue Date;

(2) this Indenture, the Notes;

(3) applicable law or any applicable rule, regulation or order;

(4) any agreement or other instrument of a Person acquired by the Company or any Restricted Subsidiary which was in existence at the time of such acquisition (but not created in contemplation thereof or to provide all or any portion of the funds or credit support utilized to consummate such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person and its Subsidiaries, or the property or assets of the Person and its Subsidiaries, so acquired;

(5) contracts or agreements for the sale of assets, including any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of the Capital Stock or assets of such Restricted Subsidiary;

(6) Secured Indebtedness otherwise permitted to be Incurred pursuant to Sections 4.03 and 4.13 that limit the right of the debtor to dispose of the assets securing such Indebtedness;

(7) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(8) customary provisions in joint venture agreements and other similar agreements entered into in the ordinary course of business;

(9) purchase money obligations for property acquired and Capitalized Lease Obligations in the ordinary course of business;

(10) customary provisions contained in leases, licenses and other similar agreements entered into in the ordinary course of business;

(11) other Indebtedness, Disqualified Stock or Preferred Stock (a) of any Restricted Subsidiary of the Company that is a Subsidiary Guarantor, Chester Finance or a Foreign Subsidiary, (b) of any Restricted Subsidiary that is not a Subsidiary Guarantor, Chester Finance or a Foreign Subsidiary so long as such encumbrances and restrictions contained in any agreement or instrument will not materially affect the Company's ability to make anticipated principal or interest payments on the Notes (as determined in good faith by the Company) or (c) of any Restricted Subsidiary Incurred in connection with any FF&E Facility, provided that in the case of each of clauses (a) and (b), such Indebtedness, Disqualified Stock or Preferred Stock is permitted to be Incurred subsequent to the Issue Date pursuant to Section 4.03;

(12) any Restricted Investment not prohibited by Section 4.04 and any Permitted Investment; or

(13) any encumbrances or restrictions of the type referred to in clauses (a), (b) and (c) above imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (1) through (12) above; *provided* that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Company, no more restrictive with respect to such dividend and other payment restrictions than those contained in the dividend or other payment restrictions prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing.

For purposes of determining compliance with this Section 4.05, (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock shall not be deemed a restriction on the ability to make distributions on Capital Stock and (ii) the subordination of loans or advances made to the Company or a Restricted Subsidiary of the Company to other Indebtedness Incurred by the Company or any such Restricted Subsidiary shall not be deemed a restriction on the ability to make loans or advances.

SECTION 4.06. Asset Sales.

(a) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, cause or make an Asset Sale, unless (x) the Company or any of its Restricted Subsidiaries, as the case may be, receives consideration at the time of such Asset Sale at least equal to the Fair Market Value (as determined in good faith by the Company) of the assets sold or otherwise disposed of, and (y) at least 75% of the consideration therefor received by the Company or such Restricted Subsidiary, as the case may be, is in the form of Cash Equivalents; *provided* that the amount of:

(i) any liabilities (as shown on the Company's or such Restricted Subsidiary's most recent balance sheet or in the Notes thereto) of the Company or any Restricted Subsidiary of the Company (other than liabilities that are by their terms subordinated to the Notes or such Restricted Subsidiary's obligations in respect of the Notes) that are assumed by the transferee of any such assets,

(ii) any notes or other obligations or other securities or assets received by the Company or such Restricted Subsidiary of the Company from such transferee that are converted by the Company or such Restricted Subsidiary of the Company into cash within 180 days of the receipt thereof (to the extent of the cash received), and

(iii) any Designated Non-cash Consideration received by the Company or any of its Restricted Subsidiaries in such Asset Sale having an aggregate Fair Market Value (as determined in good faith by the Company), taken together with all other Designated Non-cash Consideration received pursuant to this Section 4.06(a)(iii) that is at that time outstanding, not to exceed the greater of 2.0% of Total Assets and \$8.0 million at the time of the receipt of such Designated Non-cash Consideration (with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value)

shall be deemed to be Cash Equivalents for the purposes of this Section 4.06(a).

(b) Within 12 months after the Company's or any Restricted Subsidiary of the Company's receipt of the Net Proceeds of any Asset Sale, the Company or such Restricted Subsidiary of the Company may apply the Net Proceeds from such Asset Sale, at its option:

(i) to repay (A) Indebtedness constituting First Priority Lien Obligations (and, if the Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto), *provided* that (x) to the extent that the terms of any Credit Agreement constituting First Priority Lien Obligations require that such First Priority Lien Obligations are repaid with the Net Proceeds of Asset Sales prior to repayment of other Indebtedness, the Company and its Restricted Subsidiaries shall be entitled to repay such other First Priority Lien Obligations prior to repaying the Notes Obligations and (y) subject to the foregoing clause (x), if the Company shall so reduce First Priority Lien Obligations, the Company will equally and ratably reduce Notes Obligations in any manner set forth in clause (D) below to all holders to purchase at a purchase price equal to 100% of the principal amount thereof, *plus* accrued and unpaid interest, if any, the pro rata principal amount of Notes, (B) Indebtedness constituting Pari Passu Indebtedness other than First Priority Lien Obligations so long as the Asset Sale proceeds are with respect to non-Collateral (provided that if the Company shall so reduce Pari Passu Indebtedness, the Company will equally and ratably reduce Notes Obligations in any manner set forth in clause (D) below), (C) Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor, (D) Notes Obligations as provided under the Notes pursuant to Section 3.01, through open-market purchases (provided that such purchases are at or above 100% of the principal amount thereof) or by making an offer (in accordance with the procedures set forth below for an Asset Sale Offer); or

(ii) to make an Investment in any one or more businesses (*provided* that if such Investment is in the form of the acquisition of Capital Stock of a Person, such acquisition results in such Person becoming a Restricted Subsidiary of the Company),

assets, or property or capital expenditures, in each case (a) used or useful in a Similar Business or (b) that replace the properties and assets that are the subject of such Asset Sale.

In the case of Section 4.06(b)(ii), a binding commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment; *provided* that in the event such binding commitment is later canceled or terminated for any reason before such Net Proceeds are so applied, the Company or such Restricted Subsidiary enters into another binding commitment (a “Second Commitment”) within six months of such cancellation or termination of the prior binding commitment; *provided, further* that the Company or such Restricted Subsidiary may only enter into a Second Commitment under the foregoing provision one time with respect to each Asset Sale and to the extent such Second Commitment is later cancelled or terminated for any reason before such Net Proceeds are applied, then such Net Proceeds shall constitute Excess Proceeds. Pending the final application of any such Net Proceeds, the Company or such Restricted Subsidiary of the Company may temporarily reduce Indebtedness under a revolving credit facility, if any, or otherwise invest such Net Proceeds in any manner not prohibited by this Indenture.

Any Net Proceeds from any Asset Sale that are not invested or applied as provided and within the time period set forth in the first sentence of this Section 4.06(b) (it being understood that any portion of such Net Proceeds used to make an offer to purchase Notes, as described in clause (i) of this Section 4.06(b), shall be deemed to have been invested whether or not such offer is accepted) will be deemed to constitute “Excess Proceeds.” When the aggregate amount of Excess Proceeds exceeds \$4.0 million, the Company shall make an offer to all holders of Notes (and, at the option of the Company, to holders of any Pari Passu Indebtedness) (an “Asset Sale Offer”) to purchase the maximum principal amount of Notes (and such Pari Passu Indebtedness), that is at least \$2,000 and an integral multiple of \$1,000 in excess thereof that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof (or, in the event such Pari Passu Indebtedness was issued with significant original issue discount, 100% of the accreted value thereof), *plus* accrued and unpaid interest, if any (or, in respect of such Pari Passu Indebtedness, such lesser price, if any, as may be provided for by the terms of such Pari Passu Indebtedness), to the date fixed for the closing of such offer, in accordance with the procedures set forth in this Section 4.06. The Company will commence an Asset Sale Offer with respect to Excess Proceeds within ten (10) Business Days after the date that Excess Proceeds exceeds \$4.0 million by mailing the notice required pursuant to the terms of Section 4.06(f), with a copy to the Trustee.

To the extent that the aggregate amount of Notes (and such Pari Passu Indebtedness) tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company may use any remaining Excess Proceeds for any purpose that is not prohibited by this Indenture. If the aggregate principal amount of Notes (and such Pari Passu Indebtedness) surrendered by holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes to be purchased in the manner described in Section 4.06(e). Upon completion of any such Asset Sale Offer, the amount of Excess Proceeds shall be reset at zero.

(c) The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent such laws or regulations

are applicable in connection with the repurchase of the Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Indenture, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in this Indenture by virtue thereof.

(d) Not later than the date upon which written notice of an Asset Sale Offer is delivered to the Trustee as provided above, the Company shall deliver to the Trustee an Officer's Certificate as to (i) the amount of the Excess Proceeds, (ii) the allocation of the Net Proceeds from the Asset Sales pursuant to which such Asset Sale Offer is being made and (iii) the compliance of such allocation with the provisions of Section 4.06(b). On such date, the Company shall also irrevocably deposit with the Trustee or with a paying agent (or, if the Company or a Wholly Owned Restricted Subsidiary is acting as the Paying Agent, segregate and hold in trust) an amount equal to the Excess Proceeds to be invested in Cash Equivalents, as directed in writing by the Company, and to be held for payment in accordance with the provisions of this Section 4.06. Upon the expiration of the period for which the Asset Sale Offer remains open (the "Offer Period"), the Company shall deliver to the Trustee for cancellation the Notes or portions thereof that have been properly tendered to and are to be accepted by the Company. The Trustee (or the Paying Agent, if not the Trustee) shall, on the date of purchase, mail or deliver payment to each tendering holder in the amount of the purchase price. In the event that the Excess Proceeds delivered by the Company to the Trustee are greater than the purchase price of the Notes tendered, the Trustee shall deliver the excess to the Company immediately after the expiration of the Offer Period for application in accordance with Section 4.06.

(e) Holders electing to have a Note purchased shall be required to surrender the Note, with an appropriate form duly completed, to the Issuers at the address specified in the notice at least three Business Days prior to the purchase date. Holders shall be entitled to withdraw their election if the Trustee or the Company receives not later than one Business Day prior to the purchase date, a telegram, telex, facsimile transmission or letter setting forth the name of the holder, the principal amount of the Note which was delivered by the holder for purchase and a statement that such holder is withdrawing his election to have such Note purchased. If at the end of the Offer Period more Notes (and such First Priority Lien Obligations or Pari Passu Indebtedness, as applicable) are tendered pursuant to an Asset Sale Offer than the Company is required to purchase, selection of such Notes for purchase shall be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which such Notes are listed, or if such Notes are not so listed, on a pro rata basis, by lot or by such other method as the Trustee shall deem fair and appropriate (and in such manner as complies with applicable legal requirements); *provided* that no Notes of \$2,000 or less shall be purchased in part. Selection of such First Priority Lien Obligations or Pari Passu Indebtedness, as applicable shall be made pursuant to the terms of such First Priority Lien Obligations or Pari Passu Indebtedness.

(f) Notices of an Asset Sale Offer shall be mailed by first class mail, postage prepaid, at least 30 but not more than 60 days before the purchase date to each holder of Notes at such holder's registered address. If any Note is to be purchased in part only, any notice of purchase that relates to such Note shall state the portion of the principal amount thereof that has been or is to be purchased.

(g) Subject to any First Lien Intercreditor Agreement, upon any Taking or Destruction of any Collateral, all Net Insurance Proceeds “received by” the Company or any Restricted Subsidiary shall be deemed Net Proceeds and shall be applied in accordance with this Section 4.06.

SECTION 4.07. Transactions with Affiliates.

(a) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction or series of transactions, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Company (each of the foregoing, an “Affiliate Transaction”) involving aggregate consideration in excess of \$1.0 million, unless:

(i) such Affiliate Transaction is on terms that are not materially less favorable to the Company or the relevant Restricted Subsidiary than those that could have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person; and

(ii) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of \$4.0 million, the Company delivers to the Trustee a resolution adopted in good faith by the majority of the Board of Directors of the Company, approving such Affiliate Transaction and set forth in an Officer’s Certificate certifying that such Affiliate Transaction complies with clause (a) above.

(b) The provisions of Section 4.07(a) shall not apply to the following:

(i) transactions between or among the Company and/or any of its Restricted Subsidiaries (or an entity that becomes a Restricted Subsidiary as a result of such transaction) and any merger, consolidation or amalgamation of the Company and any direct parent of the Company; *provided* that such parent shall have no material liabilities and no material assets other than cash, Cash Equivalents and the Capital Stock of the Company and such merger, consolidation or amalgamation is otherwise in compliance with the terms of this Indenture and effected for a bona fide business purpose;

(ii) Restricted Payments permitted by Section 4.04 and Permitted Investments;

(iii) (x) the entering into of any agreement (and any amendment or modification of any such agreement so long as, in the good faith judgment of the Board of Directors of the Company, any such amendment is not disadvantageous to the holders when taken as a whole, as compared to such agreement as in effect on the Issue Date) to pay, and the payment of, management, consulting, monitoring and advisory fees to Caesars Operating or its subsidiaries in an aggregate amount in any fiscal year not to

exceed \$10.0 million; *provided, however*, that any payment not made in any fiscal year may be carried forward and paid, without duplication, in the following fiscal years and (y) the payment of the present value of all amounts payable pursuant to any agreement described in clause (iii)(x) of this Section 4.07(b) in connection with the termination of such agreement; *provided, further, however*, that the payment of any such amounts pursuant to this clause (iii) shall not be permitted unless the Liquidity of the Company and its Restricted Subsidiaries on a *pro forma* basis after giving effect to such payment would be no less than \$10.0 million;

(iv) the payment of reasonable and customary fees and reimbursement of expenses paid to, and indemnity provided on behalf of, officers, directors, employees or consultants of the Company or any Restricted Subsidiary, any direct or indirect parent of the Company;

(v) transactions in which the Company or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Company or such Restricted Subsidiary from a financial point of view or meets the requirements of clause (i) of Section 4.07(a);

(vi) payments or loans (or cancellation of loans) to officers, directors, employees or consultants which are approved by a majority of the Board of Directors of the Company in good faith;

(vii) any agreement as in effect as of the Issue Date or any amendment thereto (so long as any such agreement together with all amendments thereto, taken as a whole, is not more disadvantageous to the holders of the Notes in any material respect than the original agreement as in effect on the Issue Date) or any transaction contemplated thereby as determined in good faith by the Company;

(viii) the existence of, or the performance by the Company or any of its Restricted Subsidiaries of its obligations under the terms of, any operating or limited liability company agreement (including any registration rights agreement or purchase agreement related thereto) to which it is a party as of the Issue Date, and any transaction, agreement or arrangement described in the Offering Memorandum and, in each case, any amendment thereto or similar transactions, agreements or arrangements which it may enter into thereafter; *provided, however*, that the existence of, or the performance by the Company or any of its Restricted Subsidiaries of its obligations under, any future amendment to any such existing transaction, agreement or arrangement or under any similar transaction, agreement or arrangement entered into after the Issue Date shall only be permitted by this clause (viii) to the extent that the terms of any such existing transaction, agreement or arrangement together with all amendments thereto, taken as a whole, or new transaction, agreement or arrangement are not otherwise more disadvantageous to the holders of the Notes in any material respect than the original transaction, agreement or arrangement as in effect on the Issue Date;

(ix) the execution of the Transactions, and the payment of all fees and expenses and Restricted Payments related to the Transactions, including payments to Caesars Operating, which are described in the Offering Memorandum;

(x) subject to the limitations set forth in clause (iii) above, if applicable, any payments or transactions made pursuant to any Operations Management Agreement;

(xi) (A) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, or transactions otherwise relating to the purchase or sale of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of this Indenture, which are fair to the Company and its Restricted Subsidiaries in the reasonable determination of the Board of Directors or the senior management of the Company, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party or (B) transactions with joint ventures or Unrestricted Subsidiaries entered into in the ordinary course of business and consistent with past practice or industry norm;

(xii) the issuance of Equity Interests (other than Disqualified Stock) of the Company to any Person;

(xiii) the issuances of securities or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock option and stock ownership plans or similar employee benefit plans approved by the Board of Directors of the Company or any direct or indirect parent of the Company or of a Restricted Subsidiary of the Company, as appropriate, in good faith;

(xiv) the entering into of any tax sharing agreement or arrangement that complies with Section 4.04(b)(xi);

(xv) any contribution to the capital of the Company;

(xvi) transactions permitted by, and complying with, Section 5.01;

(xvii) transactions between the Company or any of its Restricted Subsidiaries and any Person, a director of which is also a director of the Company or any direct or indirect parent of the Company; *provided, however*, that such director abstains from voting as a director of the Company or such direct or indirect parent, as the case may be, on any matter involving such other Person;

(xviii) pledges of Equity Interests of Unrestricted Subsidiaries;

(xix) the formation and maintenance of any consolidated group or subgroup for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(xx) any employment agreements entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business;

(xxi) any transaction with Caesars Operating or any of its subsidiaries so long as such transaction is in the ordinary course of business or otherwise consistent with past practice;

(xxii) in connection with construction, development or support of a hotel in respect of the Chester Facility, agreements entered into with joint venture or other partners to guarantee the purchase of a minimum number of rooms in respect of such hotel;

(xxiii) Incurrence of Junior Capital pursuant to Section 4.03 and the repayment, prepayment, repurchase, redemption or other acquisition or retirement for value of any such Junior Capital at a price no greater than par from time to time;

(xxiv) cash distributions to certain minority partners of the Company in an amount in any fiscal year of the Company not to exceed \$150,000 in the aggregate per annum; and

(xxv) transactions undertaken in good faith (as certified by a responsible financial or accounting officer of the Company in an Officer's Certificate) for the purpose of improving the consolidated tax efficiency of the Company and its Subsidiaries and not for the purpose of circumventing any provision set forth in this Indenture.

SECTION 4.08. Change of Control.

(a) Upon the occurrence of a Change of Control, each holder shall have the right to require the Issuers to repurchase all or any part of such holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof, *plus* accrued and unpaid interest, if any, to the date of repurchase (subject to the right of the holders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date), in accordance with the terms contemplated in this Section 4.08; *provided, however*, that notwithstanding the occurrence of a Change of Control, the Issuers shall not be obligated to purchase any Notes pursuant to this Section 4.08 in the event that they have exercised their right to redeem such Notes in accordance with Article III of this Indenture. In the event that at the time of such Change of Control the terms of any Bank Indebtedness restrict or prohibit the repurchase of Notes pursuant to this Section 4.08, then prior to the mailing of the notice to the holders provided for in Section 4.08(b) but in any event within 30 days following any Change of Control, the Issuers shall (i) repay in full all Bank Indebtedness or, if doing so will allow the purchase of Notes, offer to repay in full all Bank Indebtedness and repay the Bank Indebtedness of each lender and/or noteholder who has accepted such offer, or (ii) obtain the requisite consent under the agreements governing the Bank Indebtedness to permit the repurchase of the Notes as provided for in Section 4.08(b).

(b) Within 30 days following any Change of Control, except to the extent that the Issuers have exercised their right to redeem the Notes in accordance with Article III of this Indenture, the Issuers shall mail a notice (a "Change of Control Offer") to each holder with a copy to the Trustee stating:

(i) that a Change of Control has occurred and that such holder has the right to require the Issuers to repurchase such holder's Notes at a repurchase price in cash equal

to 101% of the principal amount thereof, *plus* accrued and unpaid interest, if any, to the date of repurchase (subject to the right of the holders of record on the relevant Record Date to receive interest on the relevant Interest Payment Date);

- (ii) the circumstances and relevant facts and financial information regarding such Change of Control;
- (iii) the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed); and
- (iv) the instructions determined by the Issuers, consistent with this Section 4.08, that a holder must follow in order to have its Notes purchased.

(c) Holders electing to have a Note purchased shall be required to surrender the Note, with an appropriate form duly completed, to the Issuers at the address specified in the notice at least three Business Days prior to the purchase date. The holders shall be entitled to withdraw their election if the Trustee or the Issuers receive not later than one Business Day prior to the purchase date a telegram, telex, facsimile transmission or letter setting forth the name of the holder, the principal amount of the Note which was delivered for purchase by the holder and a statement that such holder is withdrawing his election to have such Note purchased. Holders whose Notes are purchased only in part shall be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered.

(d) On the purchase date, all Notes purchased by the Issuers under this Section shall be delivered to the Trustee for cancellation, and the Issuers shall pay the purchase price *plus* accrued and unpaid interest to the holders entitled thereto.

(e) A Change of Control Offer may be made in advance of a Change of Control, and conditioned upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

(f) Notwithstanding the foregoing provisions of this Section, the Issuers shall not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in Section 4.08 applicable to a Change of Control Offer made by the Issuers and purchases all Notes properly tendered and not withdrawn under such Change of Control Offer.

(g) Notes repurchased by the Issuers pursuant to a Change of Control Offer will have the status of Notes issued but not outstanding or will be retired and canceled at the option of the Issuers. Notes purchased by a third party pursuant to the preceding clause (f) will have the status of Notes issued and outstanding.

(h) At the time the Issuers deliver Notes to the Trustee which are to be accepted for purchase, the Issuers shall also deliver an Officers' Certificate stating that such Notes are to be accepted by the Issuers pursuant to and in accordance with the terms of this Section 4.08. A Note shall be deemed to have been accepted for purchase at the time the Trustee, directly or through an agent, mails or delivers payment therefor to the surrendering holder.

(i) Prior to any Change of Control Offer, the Issuers shall deliver to the Trustee an Officers' Certificate stating that all conditions precedent contained herein to the right of the Issuers to make such offer have been complied with.

(j) The Issuers shall comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this Section. To the extent that the provisions of any securities laws or regulations conflict with provisions of this Section 4.08, the Issuers shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section by virtue thereof.

SECTION 4.09. Certain Specified Restricted Payments.

(a) Upon a Specified Restricted Payment, the Issuers shall be required to make an offer to repurchase an aggregate amount of Notes at least equal to the Specified Amount at a purchase price in cash equal to 103% of the principal amount thereof, *plus* accrued and unpaid interest, if any, to the date of repurchase (subject to the right of the holders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date), except to the extent that during the twelve-month period immediately preceding such Specified Restricted Payment the Issuers have previously consummated a Specified Restricted Payment Offer or the Issuers have previously or concurrently repaid or repurchased Notes in an aggregate principal amount at least equal to the Specified Amount pursuant to Article III of this Indenture or through open-market purchases during such twelve-month period.

(b) Within 30 days following any Specified Restricted Payment, except to the extent that the Issuers have repaid or repurchased Notes pursuant to Article III of this Indenture or through open-market purchases, as set forth in Section 4.09(a), or previously offered to repurchase Notes pursuant to this Section 4.09 during such twelve-month period, the Issuers shall mail a notice (a "Specified Restricted Payment Offer") to each holder with a copy to the Trustee stating:

(i) that a Specified Restricted Payment has occurred and that such holder has the right to require the Issuers to repurchase such holder's Notes at a repurchase price in cash equal to 103% of the principal amount thereof, *plus* accrued and unpaid interest, if any, to the date of repurchase (subject to the right of the holders of record on the relevant Record Date to receive interest on the relevant Interest Payment Date);

(ii) the circumstances and relevant facts and financial information regarding such Specified Restricted Payment;

(iii) the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed); and

(iv) the instructions determined by the Issuers, consistent with this Section 4.09, that a holder must follow in order to have its Notes purchased.

(c) Holders electing to have a Note purchased shall be required to surrender the Note, with an appropriate form duly completed, to the Issuers at the address specified in the notice at least three Business Days prior to the purchase date. The holders shall be entitled to withdraw their election if the Trustee or the Issuers receive not later than one Business Day prior to the purchase date a telegram, telex, facsimile transmission or letter setting forth the name of the holder, the principal amount of the Note which was delivered for purchase by the holder and a statement that such holder is withdrawing his election to have such Note purchased. Holders whose Notes are purchased only in part shall be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered.

(d) On the purchase date, all Notes purchased by the Issuers under this Section 4.09 shall be delivered to the Trustee for cancellation, and the Issuers shall pay the purchase price *plus* accrued and unpaid interest to the holders entitled thereto.

(e) A Specified Restricted Payment Offer may be made in advance of a Specified Restricted Payment, and conditioned upon such Specified Restricted Payment.

(f) In the event the aggregate principal amount of Notes tendered pursuant to a Specified Restricted Payment Offer exceeds the Specified Amount, the Trustee shall select Notes for redemption pursuant to Section 3.04 hereof.

(g) Notes repurchased by the Issuers pursuant to a Specified Restricted Payment Offer will have the status of Notes issued but not outstanding or will be retired and canceled at the option of the Issuers.

(h) At the time the Issuers deliver Notes to the Trustee which are to be accepted for purchase, the Issuers shall also deliver an Officers' Certificate stating that such Notes are to be accepted by the Issuers pursuant to and in accordance with the terms of this Section 4.09. A Note shall be deemed to have been accepted for purchase at the time the Trustee, directly or through an agent, mails or delivers payment therefor to the surrendering holder.

(i) The Issuers shall comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this Section. To the extent that the provisions of any securities laws or regulations conflict with provisions of this Section 4.09, the Issuers shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section by virtue thereof.

SECTION 4.10. Compliance Certificate. The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company, beginning with the fiscal year end on December 31, 2012, an Officer's Certificate stating that in the course of the performance by the signer of his or her duties as an Officer of the Company he or she would normally have knowledge of any Default and whether or not the signer knows of any Default that occurred during such period. If he or she does, the certificate shall describe the Default, its status and what action the Company is taking or proposes to take with respect thereto. Except with respect to receipt of payments of principal and interest on the Notes and any Default or Event of

Default information contained in the Officer's Certificate delivered to it pursuant to this Section 4.10, the Trustee shall have no duty to review, ascertain or confirm the Issuers' compliance with or the breach of any representation, warranty or covenant made in this Indenture.

SECTION 4.11. Further Instruments and Acts. Upon request of the Trustee, the Issuers shall execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

SECTION 4.12. Future Subsidiary Guarantors. The Company will cause each Wholly Owned Restricted Subsidiary that is a Domestic Subsidiary (unless such Subsidiary is a Domestic Subsidiary that is wholly owned by one or more Foreign Subsidiaries and created to enhance the tax efficiency of the Company and its Subsidiaries) and that guarantees any Indebtedness of the Company or any Subsidiary Guarantor to execute and deliver to the Trustee or the Collateral Agent (i) a supplemental indenture substantially in the form of Exhibit C pursuant to which such Subsidiary will guarantee the Issuers' obligations under the Notes and this Indenture and shall comply with the additional requirements of Article XII and (ii) a joinder to the Security Documents and take all actions required thereunder to perfect Liens created thereunder and any First Lien Intercreditor Agreement or Second Lien Intercreditor Agreement, as applicable.

SECTION 4.13. Liens. The Company shall not, and shall not permit any Subsidiary Guarantor to, directly or indirectly, create, incur, assume or suffer to exist any Lien (except Permitted Liens) that secures any Indebtedness on any asset or property of the Company or any Subsidiary Guarantor, other than Liens securing Indebtedness that are junior in priority to the Liens on such property or assets securing the Notes.

SECTION 4.14. After-Acquired Property. Upon the acquisition by the Company or any Subsidiary Guarantor of any First Priority After-Acquired Property, the Company or such Subsidiary Guarantor shall execute and deliver such Mortgages, security instruments, financing statements and certificates, opinions of counsel or such other documentation substantially similar to the documentation delivered to secure First Priority Lien Obligations (including, without limitation title insurance policies, surveys and other documentation as may be required and consistent with the requirements for similar Collateral in which security interest or Liens were taken on the Issue Date) as shall be reasonably necessary to vest in the Collateral Agent, for the benefit of the Secured Parties (as defined in the Collateral Agreement in respect of the Notes), a perfected first priority security interest or lien, subject only to Permitted Liens, in such First Priority After-Acquired Property and to have such First Priority After-Acquired Property (but subject to certain limitations, if applicable, including as described in Article XI and the Security Documents) added to the Collateral, and thereupon all provisions of this Indenture and the Collateral Agreement relating to the Collateral shall be deemed to relate to such First Priority After-Acquired Property to the same extent and with the same force and effect.

SECTION 4.15. Maintenance of Office or Agency.

(a) The Company shall maintain an office or agency (which may be an office of the Trustee or an affiliate of the Trustee or Registrar) where certificated Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or

upon the Company in respect of the Notes and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the corporate trust office of the Trustee as set forth in Section 13.02.

(b) The Company may also from time to time designate one or more other offices or agencies where the certificated Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided, however*, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency for such purposes. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

(c) The Company hereby designates the corporate trust office of the Trustee or its agent as such office or agency of the Issuers in accordance with Section 2.04.

SECTION 4.16. Covenant Suspension. If on any date following the Issue Date, (i) the Notes have Investment Grade Ratings from both Rating Agencies, and (ii) no Default has occurred and is continuing under this Indenture, then, beginning on such date and continuing at all times thereafter during the Suspension Period (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a “Covenant Suspension Event”), and subject to the provisions of the following paragraph, the Issuers and the Restricted Subsidiaries shall not be subject to Sections 4.03, 4.04, 4.05, 4.06, 4.07 and 5.01(a)(iv) (collectively the “Suspended Covenants”).

The Issuers shall promptly upon its occurrence deliver to the Trustee an Officer’s Certificate setting forth the occurrence of any Covenant Suspension Event or Reversion Date, and the dates thereof. Neither the Trustee nor the Collateral Agent shall have any obligation to monitor the occurrence and dates of a Covenant Suspension Event or Reversion Date and may rely conclusively on such Officer’s Certificate. Neither the Trustee nor Collateral Agent shall have any duty to notify the Holders of any such events or dates.

In the event that the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants under this Indenture for any period of time as a result of the foregoing, and on any subsequent date (the “Reversion Date”) one or both of the Rating Agencies withdraw their Investment Grade Rating or downgrade the rating assigned to the Notes below an Investment Grade Rating, then the Company and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants under this Indenture with respect to future events.

On each Reversion Date, all Indebtedness Incurred, or Disqualified Stock or Preferred Stock issued, during the Suspension Period will be classified as having been Incurred or issued pursuant to Section 4.03(a) or 4.03(b) (to the extent such Indebtedness or Disqualified Stock or Preferred Stock would be permitted to be Incurred or issued thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred or issued prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Indebtedness or Disqualified

Stock or Preferred Stock would not be so permitted to be Incurred or issued pursuant to Section 4.03(a) or 4.03(b) such Indebtedness or Disqualified Stock or Preferred Stock will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under Section 4.03(b)(ii). Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under Section 4.04 will be made as though Section 4.04 had been in effect since the Issue Date and throughout the Suspension Period. Accordingly, Restricted Payments made during the Suspension Period will reduce the amount available to be made as Restricted Payments under Section 4.04(a). As described above, however, no Default or Event of Default will be deemed to have occurred on the Reversion Date as a result of any actions taken by the Company or its Restricted Subsidiaries in connection with Suspended Covenants during the Suspension Period.

For purposes of Section 4.06, on the Reversion Date, the unutilized Excess Proceeds amount will be reset to zero.

SECTION 4.17. Maintenance of Insurance. The Company shall maintain, with financially sound and reputable insurance companies, insurance (subject to customary deductibles and retentions) in such amounts and against such risks as are customarily maintained by similarly situated companies engaged in the same or similar businesses operating in the same or similar locations and cause the Company and the Subsidiary Guarantors to be listed as insured and the Collateral Agent to be listed as co-loss payee on property and property casualty policies and as an additional insured on liability policies. Notwithstanding the foregoing, the Company and the Subsidiary Guarantors may self-insure with respect to such risks with respect to which companies of established reputation in the same general line of business in the same general area usually self-insure.

SECTION 4.18. Limitation on Business Activities of Chester Finance. Chester Finance may not own any material assets or other property, other than Indebtedness or other obligations owing to Chester Finance by the Company and its Restricted Subsidiaries and Cash Equivalents, or engage in any trade or conduct any business other than treasury, cash management, hedging and cash pooling activities and activities incidental thereto. Chester Finance will not Incur any material liabilities or obligations other than its obligations pursuant to the Notes and pursuant to other Indebtedness permitted to be Incurred by the Company or any Subsidiary Guarantor permitted by Section 4.03 and liabilities and obligations pursuant to business activities permitted by this Section 4.18. Chester Finance shall be a Wholly Owned Restricted Subsidiary of the Company at all times.

SECTION 4.19. Security Interests Perfected After the Issue Date.

(a) To the extent that any instrument or deliverable in connection with the Mortgages is required to be delivered, the Company shall deliver such instruments or deliverables within 90 days following the Issue Date or as soon as practicable thereafter using commercially reasonable efforts. For the avoidance of doubt, if the Company or any applicable Subsidiary Guarantor fails to enter into a Security Document after using commercially reasonable efforts, the Company shall be solely responsible for determining whether it has used commercially reasonable efforts, which shall be set forth in an Officers' Certificate delivered to the Trustee and the Collateral Agent (upon which the Trustee and the Collateral Agent may

conclusively rely without any investigation), and the Company shall notify the holders of Notes. Neither the Collateral Agent nor the Trustee shall have any obligation to enter in such an agreement and shall have the right to decline signing such an agreement if, after being advised by counsel, the Trustee or Collateral Agent determines in good faith that such action would expose the Trustee or Collateral Agent to liability or if doing so is not consistent with its rights, privileges, protections and immunities set forth in this Indenture or other First Lien Security Documents.

(b) The Issuers shall use their commercially reasonable efforts to complete on or prior to the Issue Date, all filings and other similar actions required in connection with the perfection of the security interests to the extent required by the Security Documents (other than the Mortgages). If such actions are not completed on or prior to the Issue Date, the Issuers shall complete such actions within 30 days of the Issue Date, or as soon as practicable thereafter with commercially reasonable efforts. For the avoidance of doubt, if the Company or any applicable Subsidiary Guarantor fails to enter into a Security Document after using commercially reasonable efforts, the Company shall be solely responsible for determining whether it has used commercially reasonable efforts, which shall be set forth in an Officers' Certificate delivered to the Trustee and the Collateral Agent (upon which the Trustee and the Collateral Agent may conclusively rely without any investigation), and the Company shall notify the holders of Notes. Neither the Collateral Agent nor the Trustee shall have any obligation to enter in such an agreement and shall have the right to decline signing such an agreement if, after being advised by counsel, the Trustee or Collateral Agent determines in good faith that such action would expose the Trustee or Collateral Agent to liability or if doing so is not consistent with its rights, privileges, protections and immunities set forth in this Indenture or other First Lien Security Documents.

ARTICLE V

SUCCESSOR COMPANY

SECTION 5.01. When Company May Merge or Transfer Assets. The Company shall not, directly or indirectly, consolidate, amalgamate or merge with or into or wind up or convert into (whether or not the Company is the surviving Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions, to any Person unless:

(a) the Company is the surviving person or the Person formed by or surviving any such consolidation, amalgamation, merger, winding up or conversion (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a corporation, partnership or limited liability company organized or existing under the laws of the United States, any state thereof, the District of Columbia, or any territory thereof (the Company or such Person, as the case may be, being herein called the "Successor Company"); *provided* that in the case where the surviving Person is not a corporation, a co-obligor of the Notes is a corporation;

(i) the Successor Company (if other than the Company) expressly assumes all the obligations of the Company under this Indenture and the Notes pursuant to supplemental indentures or other documents or instruments as may be necessary;

(ii) immediately after giving effect to such transaction (and treating any Indebtedness which becomes an obligation of the Successor Company or any of its Restricted Subsidiaries as a result of such transaction as having been Incurred by the Successor Company or such Restricted Subsidiary at the time of such transaction) no Default shall have occurred and be continuing;

(iii) immediately after giving *pro forma* effect to such transaction, as if such transaction had occurred at the beginning of the applicable four-quarter period (and treating any Indebtedness which becomes an obligation of the Successor Company or any of its Restricted Subsidiaries as a result of such transaction as having been Incurred by the Successor Company or such Restricted Subsidiary at the time of such transaction), either

(A) the Successor Company would be permitted to Incur at least \$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.03(a); or

(B) the Fixed Charge Coverage Ratio for the Successor Company and its Restricted Subsidiaries would be greater than such ratio for the Company and its Restricted Subsidiaries immediately prior to such transaction;

(iv) if the Company is not the Successor Company, each Subsidiary Guarantor, unless it is the other party to the transactions described above, shall have by supplemental indenture confirmed that its obligations in respect of the Notes shall apply to such Person's obligations under this Indenture and the Notes; and

(v) the Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, amalgamation or transfer and such supplemental indentures (if any) comply with this Indenture.

The Successor Company (if other than the Company) will succeed to, and be substituted for, the Company under this Indenture and the Notes, and in such event the Company will automatically be released and discharged from its obligations under this Indenture and the Notes. Notwithstanding the foregoing clauses (iii) and (iv) of this Section 5.01, (a) any Restricted Subsidiary may merge, consolidate or amalgamate with or transfer all or part of its properties and assets to the Company or to another Restricted Subsidiary, and (b) the Company may merge, consolidate or amalgamate with an Affiliate incorporated solely for the purpose of reincorporating the Company in another state of the United States, the District of Columbia or any territory of the United States or may convert into a limited liability company, so long as the amount of Indebtedness of the Company and its Restricted Subsidiaries is not increased thereby. This Article V will not apply to a sale, assignment, transfer, conveyance or other disposition of assets between or among the Company and its Restricted Subsidiaries.

(b) For purposes of this Section 5.01, the sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company and its Restricted Subsidiaries on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company and its Restricted Subsidiaries.

ARTICLE VI

DEFAULTS AND REMEDIES

SECTION 6.01. Events of Default. An “Event of Default” occurs with respect to Notes if:

(a) there is a default in any payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 days,

(b) there is a default in the payment of principal or premium, if any, of any Note when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise,

(c) the failure by the Company or any Restricted Subsidiary to comply for 60 days after notice with its other agreements contained in the Notes or this Indenture,

(d) the failure by the Company or any Significant Subsidiary (or any group of Subsidiaries that together would constitute a Significant Subsidiary) to pay any Indebtedness (other than Indebtedness owing to the Company or a Restricted Subsidiary) within any applicable grace period after final maturity or the acceleration of any such Indebtedness by the holders thereof because of a default, in each case, if the total amount of such Indebtedness unpaid or accelerated exceeds \$10.0 million or its foreign currency equivalent,

(e) either the Company or any Significant Subsidiary of the Company pursuant to or within the meaning of any Bankruptcy Law:

(i) commences a voluntary case;

(ii) consents to the entry of an order for relief against it in an involuntary case;

(iii) consents to the appointment of a Custodian of it or for any substantial part of its property; or

(iv) makes a general assignment for the benefit of its creditors or takes any comparable action under any foreign laws relating to insolvency,

(f) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against either the Company or any Significant Subsidiary of the Company in an involuntary case;

(ii) appoints a Custodian of either the Company or any Significant Subsidiary of the Company or for any substantial part of its property; or

(iii) orders the winding up or liquidation of either the Company or any Significant Subsidiary of the Company; or any similar relief is granted under any foreign laws and the order or decree remains unstayed and in effect for 60 days,

(g) failure by the Company or any Significant Subsidiary (or any group of Subsidiaries that together would constitute a Significant Subsidiary) to pay final judgments aggregating in excess of \$10.0 million or its foreign currency equivalent (net of any amounts which are covered by enforceable insurance policies issued by solvent carriers), which judgments are not discharged, waived or stayed for a period of 60 days,

(h) the Note Guarantee of a Significant Subsidiary (or any group of Subsidiaries that together would constitute a Significant Subsidiary) ceases to be in full force and effect (except as contemplated by the terms thereof) or a Subsidiary Guarantor denies or disaffirms its obligations under this Indenture or its Note Guarantee and such Default continues for 10 days,

(i) unless all of the Collateral has been released from the First Priority Liens in accordance with the provisions of Article XI, the First Priority Liens on all or substantially all of the Collateral cease to be valid or enforceable and such Default continues for 30 days, or the Company shall assert or any Subsidiary Guarantor shall assert, in any pleading in any court of competent jurisdiction, that any such security interest is invalid or unenforceable and, in the case of any such Person that is a Subsidiary of the Company, the Company fails to cause such Subsidiary to rescind such assertions within 30 days after the Company has actual knowledge of such assertions, or

(j) the failure by the Company or any Subsidiary Guarantor to comply for 60 days after notice with its other agreements contained in the Security Documents except for a failure that would not be material to the holders of the Notes and would not materially affect the value of the Collateral taken as a whole.

The foregoing shall constitute Events of Default whatever the reason for any such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body.

The term “Bankruptcy Law” means Title 11, United States Code, or any similar Federal or state law for the relief of debtors. The term “Custodian” means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

However, a default under clauses (c) or (j) above shall not constitute an Event of Default until the Trustee or the holders of 30% in principal amount of outstanding Notes notify the Company of the default and the Company does not cure such default within the time specified in clauses (c) or (j) hereof after receipt of such notice. Such notice must specify the Default, demand that it be remedied and state that such notice is a “Notice of Default.” The Company shall deliver to the Trustee, within five (5) Business Days after the occurrence thereof, written notice in the form of an Officers’ Certificate of any event which is, or with the giving of notice or the lapse of time or both would become, an Event of Default, its status and what action the Company is taking or propose to take with respect thereto.

SECTION 6.02. Acceleration. If an Event of Default (other than an Event of Default specified in Section 6.01(e) or 6.01(f) hereof with respect to the Company) occurs and is continuing, the Trustee or the holders of at least 30% in principal amount of outstanding Notes by notice to the Company may declare the principal of, premium, if any, and accrued but unpaid interest on all the Notes to be due and payable; *provided, however*, that so long as any Bank Indebtedness remains outstanding, no such acceleration shall be effective until the earlier of (1) five Business Days after the giving of written notice to the Company and the Representative under the Credit Agreement and (2) the day on which any Bank Indebtedness is accelerated. Upon such a declaration, such principal and interest shall be due and payable immediately. If an Event of Default specified in Section 6.01(e) or (f) with respect to the Company occurs, the principal of, premium, if any, and interest on all the Notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any holders. Under certain circumstances, the holders of a majority in principal amount of outstanding Notes may rescind any such acceleration with respect to the Notes and its consequences.

In the event of any Event of Default specified in Section 6.01(d) above, such Event of Default and all consequences thereof (excluding, however, any resulting payment default) shall be annulled, waived and rescinded, automatically and without any action by the Trustee or the holders of the Notes, if within 20 days after such Event of Default arose the Company delivers an Officer’s Certificate to the Trustee stating that (x) the Indebtedness or guarantee that is the basis for such Event of Default has been discharged or (y) the holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default or (z) the default that is the basis for such Event of Default has been cured, it being understood that in no event shall an acceleration of the principal amount of the Notes as described above be annulled, waived or rescinded upon the happening of any such events.

SECTION 6.03. Other Remedies. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy at law or in equity to collect the payment of principal of or interest on the Notes or to enforce the performance of any provision of the Notes, this Indenture or the Security Documents.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. To the extent required by law, all available remedies are cumulative.

SECTION 6.04. Waiver of Past Defaults. Provided the Notes are not then due and payable by reason of a declaration of acceleration, the holders of a majority in principal amount of the Notes by written notice to the Trustee may waive an existing Default and its consequences except (a) a Default in the payment of the principal of or interest on a Note, (b) a Default arising from the failure to redeem or purchase any Note when required pursuant to the terms of this Indenture or (c) a Default in respect of a provision that under Section 9.02 cannot be amended without the consent of each holder affected. When a Default is waived, it is deemed cured and the Issuers, the Trustee and the holders will be restored to their former positions and rights under this Indenture, but no such waiver shall extend to any subsequent or other Default or impair any consequent right.

SECTION 6.05. Control by Majority. The holders of a majority in principal amount of Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or, if the Trustee, being advised by counsel, determines that the action or proceeding so directed may not lawfully be taken or if the Trustee in good faith by its board of directors or trustees, executive committee, or a trust committee of directors or trustees and/or Responsible Officers shall determine that the action or proceeding so directed would involve the Trustee in personal liability or expense for which it is not adequately indemnified, or subject to Section 7.01, that the Trustee determines is unduly prejudicial to the rights of any other holder or that would involve the Trustee in personal liability. Prior to taking any action under this Indenture, the Trustee shall be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

SECTION 6.06. Limitation on Suits.

(a) Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no holder may pursue any remedy with respect to this Indenture or the Notes unless:

- (i) such holder has previously given the Trustee notice that an Event of Default is continuing,
- (ii) holders of at least 30% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy,
- (iii) such holders have offered the Trustee reasonable security or indemnity satisfactory to the Trustee against any loss, liability or expense,
- (iv) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity, and

(v) the holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

(b) A holder may not use this Indenture to prejudice the rights of another holder or to obtain a preference or priority over another holder.

SECTION 6.07. Rights of the Holders to Receive Payment. Notwithstanding any other provision of this Indenture, the right of any holder to receive payment of principal of and interest on the Notes held by such holder, on or after the respective due dates expressed or provided for in the Notes, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such holder.

SECTION 6.08. Collection Suit by Trustee. If an Event of Default specified in Section 6.01(a) or (b) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Issuers or any other obligor on the Notes for the whole amount then due and owing (together with interest on overdue principal and (to the extent lawful) on any unpaid interest at the rate provided for in the Notes) and the amounts provided for in Section 7.07.

SECTION 6.09. Trustee May File Proofs of Claim. The Trustee may file such proofs of claim, statements of interest and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation, expenses disbursements and advances of the Trustee (including counsel, accountants, experts or such other professionals as the Trustee deems necessary, advisable or appropriate)) and the holders allowed in any judicial proceedings relative to the Issuers, any Subsidiary Guarantor, their creditors or their property, shall be entitled to participate as a member, voting or otherwise, of any official committee of creditors appointed in such matters and, unless prohibited by law or applicable regulations, may vote on behalf of the holders in any election of a trustee in bankruptcy or other Person performing similar functions, and any Custodian in any such judicial proceeding is hereby authorized by each holder to make payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and its counsel, and any other amounts due the Trustee under Section 7.07.

SECTION 6.10. Priorities. Subject to the terms of any First Lien Intercreditor Agreement, any Second Lien Intercreditor Agreement and the Security Documents, any money or property collected by the Trustee pursuant to this Article VI and any other money or property distributable in respect of the Issuers' or any Subsidiary Guarantor's obligations under this Indenture after an Event of Default shall be applied in the following order:

FIRST: to the Trustee for amounts due under Section 7.07 and to the Collateral Agent for amounts due to it under the Collateral Agreement;

SECOND: to the holders for amounts due and unpaid on the Notes for principal, premium, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal and interest, respectively; and

THIRD: to the Issuers or, to the extent the Trustee collects any amount for any Subsidiary Guarantor, to such Subsidiary Guarantor, *provided that* any First Lien Intercreditor Agreement shall preserve the first priority position of payments to the Trustee for amounts due under Section 7.07 and to the Collateral Agent for amounts due to it under the Collateral Agreement

The Trustee may fix a record date and payment date for any payment to the holders pursuant to this Section. At least 15 days before such record date, the Trustee shall deliver to each holder and the Issuers a notice that states the record date, the payment date and amount to be paid.

SECTION 6.11. Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a holder pursuant to Section 6.07 or a suit by holders of more than 10% in principal amount of the Notes.

SECTION 6.12. Waiver of Stay or Extension Laws. Neither the Issuers nor any Subsidiary Guarantor (to the extent it may lawfully do so) shall at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Issuers and the Subsidiary Guarantors (to the extent that it may lawfully do so) hereby expressly waive all benefit or advantage of any such law, and shall not hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE VII

TRUSTEE

SECTION 7.01. Duties of Trustee.

(a) The Trustee, prior to the occurrence of an Event of Default with respect to the Notes and after the curing or waiving of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee (it being agreed that the permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty); and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. The Trustee shall be under no duty to make any investigation as to any statement contained in any such instance, but may accept the same as conclusive evidence of the truth and accuracy of such statement or the correctness of such opinions. However, in the case of certificates or opinions required by any provision hereof to be provided to it, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

that: (c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except

(i) this paragraph does not limit the effect of paragraph (b) of this Section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05; and

(iv) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section 7.01.

(e) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Issuers.

(f) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

SECTION 7.02. Rights of Trustee.

(a) The Trustee may conclusively rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

- (b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on the Officers' Certificate or Opinion of Counsel.
- (c) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.
- (d) The Trustee shall not be responsible or liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; *provided, however*, that the Trustee's conduct does not constitute willful misconduct or negligence.
- (e) The Trustee may consult with counsel of its own selection and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Notes shall be full and complete authorization and protection from liability in respect of any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.
- (f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond, debenture, note or other paper or document unless requested in writing to do so by the holders of not less than a majority in principal amount of the Notes at the time outstanding, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney, at the expense of the Company and shall incur no liability of any kind by reason of such inquiry or investigation.
- (g) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the holders pursuant to this Indenture, unless such holders shall have offered to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.
- (h) The rights, privileges, protections, immunities and benefits given to the Trustee, including its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder.
- (i) The Trustee shall not be responsible or liable for any action taken or omitted by it in good faith at the direction of the holders of not less than a majority in principal amount of the Notes as to the time, method and place of conducting any proceedings for any remedy available to the Trustee or the exercising of any power conferred by this Indenture.
- (j) Any action taken, or omitted to be taken, by the Trustee in good faith pursuant to this Indenture upon the request or authority or consent of any person who, at the time of making such request or giving such authority or consent, is the holder of any Note shall be conclusive and binding upon future holders of Notes and upon Notes executed and delivered in exchange therefor or in place thereof.

(k) The Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a Default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and this Indenture.

(l) The Trustee may request that the Issuers deliver an Officer's Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officer's Certificate may be signed by any Person authorized to sign an Officer's Certificate, including any Person specified as so authorized in any such certificate previously delivered and not superseded.

(m) The Trustee shall not be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of actions.

(n) The Trustee shall not be required to give any bond or surety in respect of the execution of the trusts and powers under this Indenture.

(o) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; terrorism; wars and other military disturbances; sabotage; epidemics; riots; interruptions; loss or malfunction of utilities, computer (hardware or software) or communication services; accidents; labor disputes; and acts of civil or military authorities and governmental action.

(p) The Trustee shall have no duty to monitor or investigate the Issuers' compliance with or breach of any representation, warranty, covenant or duty made in this Indenture. Delivery of reports, information and documents under Section 4.02 of this Indenture is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any of the information therein including the Issuers' compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely conclusively on Officer's Certificates provided to it by the Company).

SECTION 7.03. Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuers or their Affiliates with the same rights it would have if it were not Trustee. Any Paying Agent or Registrar may do the same with like rights. However, the Trustee must comply with Sections 7.10 and 7.11.

SECTION 7.04. Trustee's Disclaimer. The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture, the Note Guarantees or the Notes, it shall not be accountable for the Issuers' use of the proceeds from the Notes, and it shall not be responsible for any statement of the Issuers or any Subsidiary Guarantor in this

Indenture or in any document issued in connection with the sale of the Notes or in the Notes other than the Trustee's certificate of authentication. The Trustee shall not be charged with knowledge of any Default or Event of Default under Sections 6.01(c), (d), (e), (g) (h), (i) or (j) or of the identity of any Significant Subsidiary unless either (a) a Trust Officer shall have actual knowledge thereof or (b) the Trustee shall have received written notice thereof in accordance with Section 13.02 hereof from the Issuers, any Subsidiary Guarantor or any holder. In accepting the trust hereby created, the Trustee acts solely as Trustee for the holders of the Notes and not in its individual capacity and all persons, including without limitation the holders of Notes and the Issuers having any claim against the Trustee arising from this Indenture shall look only to the funds and accounts held by the Trustee hereunder for payment except as otherwise provided herein.

SECTION 7.05. Notice of Defaults. If a Default occurs and is continuing and if it is actually known to the Trustee, the Trustee shall mail to each holder notice of the Default within the earlier of 90 days after it occurs or 30 days after it is actually known to a Trust Officer or written notice of it is received by the Trustee. Except in the case of a Default in the payment of principal of, premium (if any) or interest on any Note, the Trustee may withhold the notice if and so long as a committee of its Trust Officers in good faith determines that withholding the notice is in the interests of the holders. The Issuers are required to deliver to the Trustee, annually, a certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuers also are required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any event which would constitute certain Defaults, their status and what action the Issuers are taking or propose to take in respect thereof.

SECTION 7.06. Reports by Trustee to the Holders. As promptly as practicable after each June 30 beginning with the June 30 following the date of this Indenture, and in any event prior to June 30 in each year, the Trustee shall mail to each holder a brief report dated as of such June 30 that complies with Section 313(a) of the TIA if and to the extent required thereby. The Trustee shall also comply with Section 313(b) of the TIA.

A copy of each report at the time of its mailing to the holders shall be filed with the SEC (if applicable) and each stock exchange (if any) on which the Notes are listed. The Issuers agree to notify promptly the Trustee whenever the Notes become listed on any stock exchange and of any delisting thereof.

SECTION 7.07. Compensation and Indemnity. The Issuers shall pay to the Trustee from time to time such compensation, as the Issuers and the Trustee shall from time to time agree in writing, for the Trustee's acceptance of this Indenture and its services hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Issuers shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses Incurred or made by it, including costs of collection, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Trustee's agents, counsel, accountants and experts. The Issuers and the Subsidiary Guarantors, jointly and severally shall indemnify the Trustee, including its officers, directors, employees and agents, against any and all loss, liability, claim, damage or expense (including reasonable attorneys' fees and expenses) Incurred by or in connection with the acceptance or administration of this trust and the performance of its duties

hereunder, including the costs and expenses of enforcing this Indenture or Note Guarantee against the Issuers or any Subsidiary Guarantor (including this Section 7.07) and defending itself against or investigating any claim (whether asserted by the Issuers, any Subsidiary Guarantor, any holder or any other Person). The obligation to pay such amounts shall survive the payment in full or defeasance of the Notes or the removal or resignation of the Trustee. The Trustee shall notify the Issuers of any claim for which it may seek indemnity promptly upon obtaining actual knowledge thereof; *provided, however*, that any failure so to notify the Issuers shall not relieve the Issuers or any Subsidiary Guarantor of their indemnity obligations hereunder. The Issuers shall defend the claim and the indemnified party shall provide reasonable cooperation at the Issuers' expense in the defense. Such indemnified parties may have separate counsel and the Issuers and such Subsidiary Guarantor, as applicable shall pay the fees and expenses of such counsel; *provided, however*, that the Issuers shall not be required to pay such fees and expenses if they assume such indemnified parties' defense and, in such indemnified parties' reasonable judgment, there is no conflict of interest between the Issuers and the Subsidiary Guarantor, as applicable, and such parties in connection with such defense. The Issuers need not reimburse any expense or indemnify against any loss, liability or expense Incurred by an indemnified party through such party's own willful misconduct, negligence or bad faith.

To secure the Issuers' and the Subsidiary Guarantors' payment obligations in this Section, the Trustee shall have a Lien prior to the Notes on all money or property held or collected by the Trustee other than money or property held in trust to pay principal of and interest on particular Notes.

The Issuers' and the Subsidiary Guarantors' payment obligations pursuant to this Section shall survive the satisfaction or discharge of this Indenture, any rejection or termination of this Indenture under any bankruptcy law or the resignation or removal of the Trustee. Without prejudice to any other rights available to the Trustee under applicable law, when the Trustee Incurs expenses after the occurrence of a Default specified in Section 6.01(f) or (g) with respect to the Issuers, the expenses are intended to constitute expenses of administration under the Bankruptcy Law.

No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise Incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if repayment of such funds or adequate indemnity against such risk or liability is not assured to its satisfaction.

SECTION 7.08. Replacement of Trustee.

(a) The Trustee may resign at any time by so notifying the Issuers. The holders of a majority in principal amount of the Notes may remove the Trustee by so notifying the Trustee and may appoint a successor Trustee. The Issuers shall remove the Trustee if:

- (i) the Trustee fails to comply with Section 7.10;
- (ii) the Trustee is adjudged bankrupt or insolvent;
- (iii) a receiver or other public officer takes charge of the Trustee or its property; or

(iv) the Trustee otherwise becomes incapable of acting.

(b) If the Trustee resigns, is removed by the Issuers or by the holders of a majority in principal amount of the Notes and such holders do not reasonably promptly appoint a successor Trustee, or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Issuers shall promptly appoint a successor Trustee.

(c) A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Issuers. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to the holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the Lien provided for in Section 7.07.

(d) If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee or the holders of 10% in principal amount of the Notes may petition at the expense of the Issuers any court of competent jurisdiction for the appointment of a successor Trustee.

(e) If the Trustee fails to comply with Section 7.10, unless the Trustee's duty to resign is stayed as provided in Section 310(b) of the TIA, any holder who has been a bona fide holder of a Note for at least six months may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(f) Notwithstanding the replacement of the Trustee pursuant to this Section, the Issuers' obligations under Section 7.07 shall continue for the benefit of the retiring Trustee.

SECTION 7.09. Successor Trustee by Merger. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

In case at the time such successor or successors by merger, conversion or consolidation to the Trustee shall succeed to the trusts created by this Indenture any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of the Trustee shall have.

SECTION 7.10. Eligibility; Disqualification. There shall at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities and that has a combined capital and surplus of at least \$100,000,000 as set forth in its most recent published annual report of condition.

This Indenture shall always have a Trustee who satisfies the requirements of Trust Indenture Act Sections 310(a)(1), (2) and (5). The Trustee is subject to Trust Indenture Act Section 310(b).

SECTION 7.11. Preferential Collection of Claims Against the Issuers. The Trustee shall comply with Section 311(a) of the TIA, excluding any creditor relationship listed in Section 311(b) of the TIA. A Trustee who has resigned or been removed shall be subject to Section 311(a) of the TIA to the extent indicated herein.

ARTICLE VIII

DISCHARGE OF INDENTURE; DEFEASANCE

SECTION 8.01. Discharge of Liability on Notes; Defeasance.

(a) This Indenture shall be discharged and shall cease to be of further effect (except as to surviving rights of transfer or exchange of Notes, as expressly provided for in this Indenture) as to all outstanding Notes when:

(i) either (a) all the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Issuers and thereafter repaid to the Issuers or discharged from such trust) have been delivered to the Trustee for cancellation or (b) all of the Notes (1) have become due and payable, (2) will become due and payable at their stated maturity within one year or (3) if redeemable at the option of the Issuers, are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuers, and the Issuers have irrevocably deposited or caused to be deposited with the Trustee funds in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit together with irrevocable instructions from the Issuers directing the Trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be;

(ii) the Issuers have paid all other sums payable under this Indenture; and

(iii) the Issuers have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel stating that all conditions precedent under this Indenture relating to the satisfaction and discharge of this Indenture have been complied with.

(b) Subject to Sections 8.01(c) and 8.02, the Issuers at any time may terminate (i) all of their obligations under the Notes and this Indenture (with respect to the holders of the Notes) ("legal defeasance option") or (ii) their obligations under Sections 4.02, 4.03, 4.04, 4.05, 4.06, 4.07, 4.08, 4.09, 4.10, 4.11, 4.12, 4.13 and 4.14 and the operation of Section 5.01 for the

benefit of the holders of the Notes, and Sections 6.01(c), 6.01(d) and Sections 6.01(e) and 6.01(f) (with respect to Significant Subsidiaries of the Issuers only), 6.01(g), 6.01(h), 6.01(i) and 6.01(j) ("covenant defeasance option"). The Issuers may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. In the event that the Issuers terminate all of their obligations under the Notes and this Indenture (with respect to such Notes) by exercising their legal defeasance option or their covenant defeasance option, the obligations of each Subsidiary Guarantor with respect to the Notes and the Security Documents shall be terminated simultaneously with the termination of such obligations.

If the Issuers exercise their legal defeasance option, payment of the Notes so defeased may not be accelerated because of an Event of Default. If the Issuers exercise their covenant defeasance option, payment of the Notes so defeased may not be accelerated because of an Event of Default specified in Section 6.01(c), 6.01(d), 6.01(e) and 6.01(f) (with respect to Significant Subsidiaries of the Company only), 6.01(g), 6.01(h), 6.01(i) or 6.01(j) or because of the failure of the Issuers to comply with Section 5.01.

Upon satisfaction of the conditions set forth herein and upon request of the Issuers, the Trustee shall acknowledge in writing the discharge of those obligations that the Issuers terminate.

(c) Notwithstanding clauses (a) and (b) above, the Issuers' obligations in Sections 2.04, 2.05, 2.06, 2.07, 2.08, 2.09, 7.07, 7.08 and in this Article VIII shall survive until the Notes have been paid in full. Thereafter, the Issuers' obligations in Sections 7.07, 8.05 and 8.06 shall survive such satisfaction and discharge.

SECTION 8.02. Conditions to Defeasance.

(a) The Issuers may exercise their legal defeasance option or its covenant defeasance option only if:

(i) the Issuers irrevocably deposit in trust with the Trustee cash in U.S. Dollars, U.S. Government Obligations or a combination thereof in an amount sufficient or U.S. Government Obligations, the principal of and the interest on which will be sufficient, or a combination thereof sufficient, to pay the principal of and premium (if any) and interest on the Notes when due at maturity or redemption, as the case may be, including interest thereon to maturity or such redemption date;

(ii) the Issuers deliver to the Trustee a certificate from a nationally recognized firm of independent accountants expressing their opinion that the payments of principal and interest when due and without reinvestment on the deposited U.S. Government Obligations *plus* any deposited money without investment will provide cash at such times and in such amounts as will be sufficient to pay principal, premium, if any, and interest when due on all the Notes to maturity or redemption, as the case may be;

(iii) 123 days pass after the deposit is made and during the 123-day period no Default specified in Section 6.01(e) or (f) with respect to the Issuers occurs which is continuing at the end of the period;

(iv) the deposit does not constitute a default under any other agreement binding on the Issuers and is not prohibited by Article X;

(v) in the case of the legal defeasance option, the Issuers shall have delivered to the Trustee an Opinion of Counsel stating that (1) the Issuers have received from, or there has been published by, the Internal Revenue Service a ruling, or (2) since the date of this Indenture there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the holders will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit and defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred. Notwithstanding the foregoing, the Opinion of Counsel required by the immediately preceding sentence with respect to a legal defeasance need not be delivered if all of the Notes not theretofore delivered to the Trustee for cancellation (x) have become due and payable or (y) will become due and payable at their Stated Maturity within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuers;

(vi) impair the right of any holder to receive payment of principal of, premium, if any, and interest on such holder's Notes on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such holder's Notes;

(vii) in the case of the covenant defeasance option, the Issuers shall have delivered to the Trustee an Opinion of Counsel to the effect that the holders will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit and defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred; and

(viii) the Issuers deliver to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance and discharge of the Notes to be so defeased and discharged as contemplated by this Article VIII have been complied with.

(b) Before or after a deposit, the Issuers may make arrangements satisfactory to the Trustee for the redemption of such Notes at a future date in accordance with Article III.

SECTION 8.03. Application of Trust Money. The Trustee shall hold in trust money or U.S. Government Obligations (including proceeds thereof) deposited with it pursuant to this Article VIII. It shall apply the deposited money and the money from U.S. Government Obligations through each Paying Agent and in accordance with this Indenture to the payment of principal of and interest on the Notes so discharged or defeased.

SECTION 8.04. Repayment to Issuers. Each of the Trustee and each Paying Agent shall promptly turn over to the Issuers upon request any money or U.S. Government

Obligations held by it as provided in this Article which, in the written opinion of nationally recognized firm of independent public accountants delivered to the Trustee (which delivery shall only be required if U.S. Government Obligations have been so deposited), are in excess of the amount thereof which would then be required to be deposited to effect an equivalent discharge or defeasance in accordance with this Article.

Subject to any applicable abandoned property law, the Trustee and each Paying Agent shall pay to the Issuers upon written request any money held by them for the payment of principal or interest that remains unclaimed for two years, and, thereafter, holders entitled to the money must look to the Issuers for payment as general creditors, and the Trustee and each Paying Agent shall have no further liability with respect to such monies.

SECTION 8.05. Indemnity for U.S. Government Obligations. The Issuers shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against deposited U.S. Government Obligations or the principal and interest received on such U.S. Government Obligations.

SECTION 8.06. Reinstatement. If the Trustee or any Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with this Article VIII by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Issuers' obligations under this Indenture and the Notes so discharged or defeased shall be revived and reinstated as though no deposit had occurred pursuant to this Article VIII until such time as the Trustee or any Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with this Article VIII; *provided, however*, that, if the Issuers have made any payment of principal of, or interest on, any such Notes because of the reinstatement of its obligations, the Issuers shall be subrogated to the rights of the holders of such Notes to receive such payment from the money or U.S. Government Obligations held by the Trustee or any Paying Agent.

ARTICLE IX

AMENDMENTS AND WAIVERS

SECTION 9.01. Without Consent of the Holders.

(a) The Issuers and the Trustee may amend this Indenture, the Security Documents, the First Lien Intercreditor Agreement, the Second Lien Intercreditor Agreement or the Notes without notice to or consent of any holder:

- (i) to cure any ambiguity, omission, mistake, defect or inconsistency;
- (ii) to provide for the assumption by a Successor Company of the obligations of the Company under this Indenture and the Notes;
- (iii) to add a Subsidiary Guarantor with respect to the Notes pursuant to Section 4.12;

(iv) to provide for uncertificated Notes in addition to or in place of certificated Notes; *provided, however*, that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code;

(v) to conform the text of this Indenture, the Notes, the Security Documents, any First Lien Intercreditor Agreement or any Second Lien Intercreditor Agreement to any provision of the “Description of Notes” in the Offering Memorandum to the extent that such provision in the “Description of Notes” was intended to be a verbatim recitation of a provision of this Indenture, the Notes, the Security Documents, any First Lien Intercreditor Agreement or any Second Lien Intercreditor Agreement, as evidenced to the Trustee by an Officer’s Certificate;

(vi) to add Collateral to secure the Notes;

(vii) to release or subordinate Collateral as permitted by this Indenture, any First Lien Intercreditor Agreement or any Second Lien Intercreditor Agreement;

(viii) to add additional secured creditors holding Other First Priority Lien Obligations or other Second Priority Lien Obligations (and, in such case, the Issuers and Trustee may execute any First Lien Intercreditor Agreement or any Second Lien Intercreditor Agreement in connection therewith) so long as such obligations are not prohibited by this Indenture or the Security Documents;

(ix) to secure any Other First Priority Lien Obligations or Second Priority Lien Obligations under the Security Documents in the case of any First Lien Intercreditor Agreement or any Second Lien Intercreditor Agreement, in order to subject the security interests in the Collateral in respect of any Other First Priority Lien Obligations or Second Priority Lien Obligations to the terms of any First Lien Intercreditor Agreement or any Second Lien Intercreditor Agreement, in each case to the extent the Incurrence of such Indebtedness, and the grant of all Liens on the Collateral held for the benefit of such Indebtedness were permitted under this Indenture;

(x) to conform to the text of the Indenture, the Notes, the Security Documents, any First Lien Intercreditor Agreement or any Second Lien Intercreditor Agreement or any other such documents and instruments (in recordable form) as may be necessary or advisable to preserve and confirm the relative priorities of the first lien documents and second lien documents as such priorities are contemplated by and set forth any First Lien Intercreditor Agreement or Second Lien Intercreditor Agreement;

(xi) to add to the covenants of the Company for the benefit of the holders or to surrender any right or power herein conferred upon the Issuers;

(xii) to comply with any requirement of the SEC in connection with qualifying or maintaining the qualification of, this Indenture under the TIA;

(xiii) to make any change that does not adversely affect the rights of any holder; or

(xiv) to provide for the issuance of Additional Notes, which shall have terms substantially identical in all material respects to the Initial Notes, and which shall be treated, together with any outstanding Initial Notes, as a single issue of securities.

(b) After an amendment under this Section 9.01 becomes effective, the Issuers shall mail to the holders a notice briefly describing such amendment, *provided* that in the case of an amendment pursuant to Section 9.01(a)(xiii), no such notice shall be required. The failure to give such notice to all holders, or any defect therein, shall not impair or affect the validity of an amendment under this Section 9.01.

SECTION 9.02. With Consent of the Holders.

(a) The Issuers and the Trustee may amend this Indenture and the Security Documents or Notes with the written consent of the holders of at least a majority in principal amount of the Notes then outstanding voting as a single class (including consents obtained in connection with a tender offer or exchange for the Notes). However, without the consent of each holder of an outstanding Note affected, an amendment may not:

- (1) reduce the amount of Notes whose holders must consent to an amendment,
- (2) reduce the rate of or extend the time for payment of interest on any Note,
- (3) reduce the principal of or change the Stated Maturity of any Note,
- (4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed in accordance with Article III or Section 4.09,
- (5) make any Note payable in money other than that stated in such Note,
- (6) expressly subordinate the Notes to any other Indebtedness of the Company or any Subsidiary Guarantor,
- (7) impair the right of any holder to receive payment of principal of, premium, if any, and interest on such holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's Notes,
- (8) make any change in the amendment provisions which require each holder's consent or in the waiver provisions,
- (9) make any change in the provisions in any First Lien Intercreditor Agreement, any Second Lien Intercreditor Agreement or this Indenture dealing with the application of proceeds of Collateral that would adversely affect the holders of the Notes, or

(10) except as expressly provided by this Indenture, modify or release the Note Guarantee of any Significant Subsidiary in any manner adverse to the holders of the Notes.

In addition, without the consent of the holders of at least 66 2/3% in aggregate principal amount of Notes then outstanding, no amendment or waiver may release all or substantially all of the Collateral from the Lien of this Indenture and the Security Documents with respect to the Notes.

It shall not be necessary for the consent of the holders under this Section 9.02 to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof.

After an amendment under this Section 9.02 becomes effective, the Issuers shall mail to the holders a notice briefly describing such amendment. The failure to give such notice to all holders, or any defect therein, shall not impair or affect the validity of an amendment under this Section 9.02.

SECTION 9.03. Compliance with Trust Indenture Act. From the date on which this Indenture is qualified under the TIA, every amendment, waiver or supplement to this Indenture or the Notes shall comply with the TIA as then in effect.

SECTION 9.04. Revocation and Effect of Consents and Waivers.

(a) A consent to an amendment or a waiver by a holder of a Note shall bind the holder and every subsequent holder of that Note or portion of the Note that evidences the same debt as the consenting holder's Note, even if notation of the consent or waiver is not made on the Note. However, any such holder or subsequent holder may revoke the consent or waiver as to such holder's Note or portion of the Note if the Trustee receives the notice of revocation before the date on which the Trustee receives an Officers' Certificate from the Issuers certifying that the requisite principal amount of Notes have consented. After an amendment or waiver becomes effective, it shall bind every holder. An amendment or waiver becomes effective upon the (i) receipt by the Issuers or the Trustee of consents by the holders of the requisite principal amount of securities, (ii) satisfaction of conditions to effectiveness as set forth in this Indenture and any indenture supplemental hereto containing such amendment or waiver and (iii) execution of such amendment or waiver (or supplemental indenture) by the Issuers and the Trustee.

(b) The Issuers may, but shall not be obligated to, fix a record date for the purpose of determining the holders entitled to give their consent or take any other action described above or required or permitted to be taken pursuant to this Indenture. If a record date is fixed, then notwithstanding the immediately preceding paragraph, those Persons who were holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to give such consent or to revoke any consent previously given or to take any such action, whether or not such Persons continue to be holders after such record date. No such consent shall be valid or effective for more than 120 days after such record date.

SECTION 9.05. Notation on or Exchange of Notes. If an amendment, supplement or waiver changes the terms of a Note, the Issuers may require the holder of the Note

to deliver it to the Trustee. The Trustee may place an appropriate notation on the Note regarding the changed terms and return it to the holder. Alternatively, if the Issuers or the Trustee so determines, the Issuers in exchange for the Note shall issue and the Trustee shall authenticate a new Note that reflects the changed terms. Failure to make the appropriate notation or to issue a new Note shall not affect the validity of such amendment, supplement or waiver.

SECTION 9.06. Trustee to Sign Amendments. The Trustee shall sign any amendment, supplement or waiver authorized pursuant to this Article IX if the amendment does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may but need not sign it. In signing such amendment, the Trustee shall be entitled to receive indemnity reasonably satisfactory to it and shall be provided with, and (subject to Section 7.01) shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that such amendment, supplement or waiver is authorized or permitted by this Indenture and that such amendment, supplement or waiver is the legal, valid and binding obligation of the Issuers, enforceable against them in accordance with its terms, subject to customary exceptions, and complies with the provisions hereof (including Section 9.03).

SECTION 9.07. Additional Voting Terms; Calculation of Principal Amount. All Notes issued under this Indenture shall vote and consent together on all matters (as to which any of such Notes may vote) as one class and no Notes will have the right to vote or consent as a separate class on any matter. Determinations as to whether holders of the requisite aggregate principal amount of Notes have concurred in any direction, waiver or consent shall be made in accordance with this Article IX and Section 2.14.

ARTICLE X

RANKING OF NOTE LIENS

SECTION 10.01. Relative Rights. Any First Lien Intercreditor Agreement and any Second Lien Intercreditor Agreement define the relative rights, as lienholders, of holders of First Priority Liens, holders of Liens securing First Priority Lien Obligations and holders of Liens securing Junior Lien Obligations. Nothing in this Indenture or any First Lien Intercreditor Agreement will:

(a) impair, as between the Issuers and holders of Notes, the obligation of the Issuers, which are absolute and unconditional, to pay principal of, premium and interest on Notes in accordance with their terms or to perform any other obligation of the Issuers or any other obligor under this Indenture, the Notes and the Security Documents;

(b) restrict the right of any holder to sue for payments that are then due and owing, in a manner not inconsistent with the provisions of any First Lien Intercreditor Agreement or any Second Lien Intercreditor Agreement;

(c) prevent the Trustee, the Collateral Agent or any holder from exercising against the Issuers or any other obligor any of its other available remedies upon a Default or Event of Default (other than its rights as a secured party, which are subject to any First Lien Intercreditor Agreement); or

(d) restrict the right of the Trustee, the Collateral Agent or any holder:

(1) to file and prosecute a petition seeking an order for relief in an involuntary bankruptcy case as to any obligor or otherwise to commence, or seek relief commencing, any insolvency or liquidation proceeding involuntarily against any obligor;

(2) to make, support or oppose any request for an order for dismissal, abstention or conversion in any insolvency or liquidation proceeding;

(3) to make, support or oppose, in any insolvency or liquidation proceeding, any request for an order extending or terminating any period during which the debtor (or any other Person) has the exclusive right to propose a plan of reorganization or other dispositive restructuring or liquidation plan therein;

(4) to seek the creation of, or appointment to, any official committee representing creditors (or certain of the creditors) in any insolvency or liquidation proceedings and, if appointed, to serve and act as a member of such committee without being in any respect restricted or bound by, or liable for, any of the obligations under this Article X;

(5) to seek or object to the appointment of any professional person to serve in any capacity in any insolvency or liquidation proceeding or to support or object to any request for compensation made by any professional person or others therein;

(6) to make, support or oppose any request for order appointing a trustee or examiner in any insolvency or liquidation proceedings; or

(7) otherwise to make, support or oppose any request for relief in any insolvency or liquidation proceeding that it is permitted by law to make, support or oppose:

if it were a holder of unsecured claims; or

(x) as to any matter relating to any plan of reorganization or other

(y) restructuring or liquidation plan or as to any matter relating to the administration of the estate or the disposition of the case or proceeding (in each case except as set forth in any First Lien Intercreditor Agreement or Second Lien Intercreditor Agreement).

ARTICLE XI

COLLATERAL

SECTION 11.01. Security Documents. The payment of the principal of and interest and premium, if any, on the Notes when due, whether on an Interest Payment Date, at

maturity, by acceleration, repurchase, redemption or otherwise and whether by the Issuers pursuant to the Notes or by the Subsidiary Guarantors pursuant to the Note Guarantees, the payment of all other Notes Obligations and the performance of all other obligations of the Issuers and the Subsidiary Guarantors under this Indenture, the Notes, the Note Guarantees and the Security Documents are secured as provided in the Security Documents which the Issuers and the Subsidiary Guarantors have entered into and will be secured by Security Documents hereafter delivered as required or permitted by this Indenture. The Company shall, and shall cause each Restricted Subsidiary to, and each Restricted Subsidiary shall, make all filings (including filings of continuation statements and amendments to UCC financing statements that may be necessary to continue the effectiveness of such UCC financing statements) and all other actions as are necessary or required by the Security Documents to maintain (at the sole cost and expense of the Company and its Restricted Subsidiaries) the security interest created by the Security Documents in the Collateral (other than with respect to any Collateral the security interest in which is not required to be perfected under the Security Documents) as a perfected first priority security interest subject only to Permitted Liens.

SECTION 11.02. Collateral Agent. (a) The Collateral Agent shall have all the rights and protections provided in the First Lien Security Documents.

(b) Subject to Section 7.01, neither the Trustee nor the Collateral Agent nor any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral, for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, perfection, priority, sufficiency or protection of any First Priority Lien, or any defect or deficiency as to any such matters.

(c) Subject to the First Lien Security Documents and any First Lien Intercreditor Agreement, (i) the Trustee shall direct the Collateral Agent and (ii) except as directed by the Trustee as required or permitted by this Indenture and any other representatives or pursuant to the Security Documents, the holders acknowledge that Collateral Agent will not be obligated:

- (1) to act upon directions purported to be delivered to it by any other Person;
- (2) to foreclose upon or otherwise enforce any First Priority Lien; or
- (3) to take any other action whatsoever with regard to any or all of the First Priority Liens, Security Documents or Collateral.

(d) The holders of Notes agree that the Collateral Agent shall be entitled to the rights, privileges, protections, immunities, indemnities and benefits provided to the Collateral Agent by the Security Documents. Furthermore, each holder of a Note, by accepting such Note, consents to the terms of and authorizes and directs the Trustee (in each of its capacities) and the Collateral Agent to enter into and perform any First Lien Intercreditor Agreement, Second Lien Intercreditor Agreement and Security Documents in each of its capacities thereunder.

(e) If the Issuers (i) Incur First Priority Lien Obligations at any time and (ii) direct the Trustee to deliver to the Collateral Agent an Officers' Certificate so stating and requesting the Collateral Agent to enter into a First Lien Intercreditor Agreement in favor of a designated agent or representative for the holders of the First Priority Lien Obligations so Incurred, the holders acknowledge that the Collateral Agent is hereby authorized and directed to enter into such intercreditor agreement, bind the holders on the terms set forth therein and perform and observe its obligations thereunder.

(f) If the Issuers (i) Incur Second Priority Lien Obligations at any time and (ii) direct the Trustee to deliver to the Collateral Agent an Officers' Certificate so stating and requesting the Collateral Agent to enter into a Second Lien Intercreditor Agreement in favor of a designated agent or representative for the holders of the Second Priority Lien Obligations so Incurred, the holders acknowledge that the Collateral Agent is hereby authorized and directed to enter into such intercreditor agreement, bind the holders on the terms set forth therein and perform and observe its obligations thereunder.

SECTION 11.03. Authorization of Actions to Be Taken. (a) Each holder of Notes, by its acceptance thereof, consents and agrees to the terms of each Security Document, any First Lien Intercreditor Agreement and any Second Lien Intercreditor Agreement as originally in effect and as amended, supplemented or replaced from time to time in accordance with its terms or the terms of this Indenture, authorizes and directs the Trustee and the Collateral Agent to enter into the Security Documents to which it is a party, authorizes and empowers the Trustee to direct the Collateral Agent to enter into, and the Collateral Agent to execute and deliver, any First Lien Intercreditor Agreement and any Second Lien Intercreditor Agreement and authorizes and empowers the Trustee and the Collateral Agent to bind the holders of Notes and other holders of Obligations as set forth in the Security Documents to which it is a party and any First Lien Intercreditor Agreement and any Second Lien Intercreditor Agreement and to perform its obligations and exercise its rights and powers thereunder.

(b) The Trustee is authorized and empowered to receive for the benefit of the holders of Notes any funds collected or distributed under the Security Documents to which the Trustee is a party and to make further distributions of such funds to the holders of Notes according to the provisions of this Indenture.

(c) Subject to the provisions of Section 7.01 and Section 7.02 hereof, and any First Lien Intercreditor Agreement and the Security Documents, the Trustee may, in its sole discretion and without the consent of the holders, direct, on behalf of the holders, the Collateral Agent to take all actions it deems necessary or appropriate in order to:

- (1) foreclose upon or otherwise enforce any or all of the First Priority Liens;
- (2) enforce any of the terms of the Security Documents to which the Collateral Agent or Trustee is a party; or
- (3) collect and receive payment of any and all Obligations.

Subject to any First Lien Intercreditor Agreement, the Trustee is authorized and empowered to institute and maintain, or direct the Collateral Agent to institute and maintain, such suits and proceedings as it may deem expedient to protect or enforce the First Priority Liens or the Security Documents to which the Collateral Agent or Trustee is a party or to prevent any impairment of Collateral by any acts that may be unlawful or in violation of the Security Documents to which the Collateral Agent or Trustee is a party or this Indenture, and such suits and proceedings as the Trustee or the Collateral Agent may deem expedient to preserve or protect its interests and the interests of the holders of Notes in the Collateral, including power to institute and maintain suits or proceedings to restrain the enforcement of or compliance with any legislative or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair the security interest hereunder or be prejudicial to the interests of holders, the Trustee or the Collateral Agent.

SECTION 11.04. Release of Collateral. (a) Collateral may be released from the Lien and security interest created by the Security Documents to secure the Notes and obligations under this Indenture at any time or from time to time in accordance with the provisions of any First Lien Intercreditor Agreement or as provided hereby or in the Security Documents. The applicable assets included in the Collateral shall be automatically released from the Liens securing the Notes, and the applicable Subsidiary Guarantor shall be automatically released from its obligations under this Indenture and the Security Documents, under any one or more of the following circumstances:

(1) the release of Excess Proceeds that remain unexpended after the conclusion of an Asset Sale Offer conducted in accordance with this Indenture;

(2) in respect of the property and assets of a Subsidiary Guarantor, upon the consummation of any transaction permitted by this Indenture as a result of which such Subsidiary Guarantor ceases to be a Subsidiary or otherwise ceases to be a Pledgor (as defined in the Collateral Agreement), and such Subsidiary Guarantor shall be automatically released from its obligations hereunder and under the Security Documents, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to such Subsidiary Guarantor;

(3) upon any sale or other transfer by the Issuers or any Subsidiary Guarantor of any Collateral that is permitted under this Indenture to any person that is not an Issuer or a Subsidiary Guarantor (including in connection with an event of loss), or upon the effectiveness of any written consent to the release of the security interest granted by the Collateral Agreement in any Collateral pursuant to this Indenture, the security interest in such Collateral shall be automatically released, all without delivery of any instrument or performance of any act by any party;

(4) to enable the Issuers or any Subsidiary Guarantor to consummate the disposition (other than any disposition to the Issuers or another Subsidiary Guarantor) of such property or assets to the extent not prohibited under Section 4.06, and to enable any release described in Section 7.15 of the Collateral Agreement;

(5) in respect of the property and assets of a Subsidiary Guarantor, upon the designation of such Subsidiary Guarantor to be an Unrestricted Subsidiary in accordance with Section 4.04 and the definition of “Unrestricted Subsidiary”, and such Subsidiary Guarantor shall be automatically released from its obligations hereunder and under the Security Documents;

(6) in respect of the property and assets of a Subsidiary Guarantor, upon the release or discharge of the pledge granted by such Subsidiary Guarantor to secure the Obligations under any other Indebtedness or the guarantee of any other Indebtedness which resulted in the obligation to become a Subsidiary Guarantor with respect to the Notes other than (x) in connection with a release or discharge by or as a result of payment in respect such other Indebtedness or guarantee or (y) at any time that such other Indebtedness or guarantee does not constitute a majority of the aggregate principal amount of First Priority Lien Obligations outstanding at such time;

(7) upon the Incurrence of any Indebtedness under an FF&E Facility in respect of any assets owned by the Company or a Subsidiary Guarantor prior to the Incurrence of such Indebtedness, and such assets are to become FF&E Collateral under such FF&E Facility (so long as the fair market value of such assets (as determined by the Company in good faith) is not greater than the principal amount of such Indebtedness at the time of Incurrence thereof); and

(8) as described under Article IX.

In addition, the security interests granted pursuant to the Security Documents securing the Notes Obligations shall automatically terminate and/or be released all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the applicable Subsidiary Guarantors (as defined in the Collateral Agreement), as of the date upon (i) all the Obligations under the Notes and this Indenture (other than contingent or unliquidated obligations or liabilities not then due) have been paid in full in cash or immediately available funds; (ii) a legal defeasance or covenant defeasance or discharge under Article VIII, or (iii) the Holders of at least two thirds in aggregate principal amount of all Notes issued under this Indenture consent to the termination of the Security Documents.

In connection with any termination or release pursuant to this Section 11.04(a), the Collateral Agent shall execute and deliver to any Subsidiary Guarantor (as defined in the Collateral Agreement), at such Subsidiary Guarantor’s expense, all documents that such Subsidiary Guarantor shall reasonably request to evidence such termination or release (including, without limitation, UCC termination statements), and will duly assign and transfer to such Subsidiary Guarantor, such of the Pledged Collateral (as defined in the Collateral Agreement) that may be in the possession of the Collateral Agent and has not theretofore been sold or otherwise applied or released pursuant to this Indenture or the Security Documents. Any execution and delivery of documents pursuant to this Section 11.04(a) shall be without recourse to or warranty by the Collateral Agent. In connection with any release pursuant to this Section 11.04(a), the Subsidiary Guarantors shall be permitted to take any action in connection therewith consistent with such release including, without limitation, the filing of UCC termination statements.

Upon the receipt of an Officers' Certificate and an Opinion of Counsel from the Issuers, as described in Section 11.04(b) below, if applicable, and any necessary or proper instruments of termination, satisfaction or release prepared by the Issuers, the Collateral Agent shall execute, deliver or acknowledge such instruments or releases to evidence the release of any Collateral permitted to be released pursuant to this Indenture or the Security Documents or the First Lien Intercreditor Agreement.

(b) Notwithstanding anything herein to the contrary, in connection with (x) any release of Collateral pursuant to Section 11.04(a)(1), (5), (6) or (8) above, such Collateral may not be released from the Lien and security interest created by the Security Documents and (y) any release of Collateral pursuant to Section 11.04(a)(2), (3), (4) and (7), the Collateral Agent shall not be required to execute, deliver or acknowledge any instruments of termination, satisfaction or release unless, in each case, an Officers' Certificate and Opinion of Counsel certifying that all conditions precedent, including, without limitation, this Section 11.04, have been met, stating under which of the circumstances set forth in Section 11.04(a) above the Collateral is being released, the fair value of the Collateral to be released and that no Default or Event of Default has occurred and is continuing have been delivered to the Collateral Agent on or prior to the date of such release or, in the case of clause (y) above, the date on which the Collateral Agent executes any such instrument.

(c) Notwithstanding anything herein to the contrary, at any time when a Default or Event of Default has occurred and is continuing and the maturity of the Notes has been accelerated (whether by declaration or otherwise) and the Trustee has delivered a notice of acceleration to the Collateral Agent, no release of Collateral pursuant to the provisions of this Indenture or the Security Documents will be effective as against the holders, except as otherwise provided in any First Lien Intercreditor Agreement.

SECTION 11.05. Filing, Recording and Opinions. (a) Any release of Collateral permitted by Section 11.04 hereof will be deemed not to impair the Liens under this Indenture and the Security Documents in contravention thereof and any person that is required to deliver an Officers' Certificate or Opinion of Counsel, shall be entitled to rely upon the foregoing as a basis for delivery of such certificate or opinion. The Trustee may, to the extent permitted by Section 7.01 and 7.02 hereof, accept as conclusive evidence of compliance with the foregoing provisions the appropriate statements contained in such documents and Opinion of Counsel.

(b) Notwithstanding anything to the contrary herein, the Company and its Subsidiaries will not be required to comply with all or any portion of Section 314(d) of the Trust Indenture Act.

(c) Upon the request of the Trustee, the Trustee shall be entitled to rely on an Officer's Certificate and an Opinion of Counsel in respect of any matter in furtherance of the foregoing transactions contemplated by this Section 11.05.

SECTION 11.06. [Intentionally omitted.]

SECTION 11.07. Powers Exercisable by Receiver or Trustee. In case the Collateral shall be in the possession of a receiver or trustee, lawfully appointed, the powers conferred in this Article XI upon the Issuers with respect to the release, sale or other disposition of such property may be exercised by such receiver or trustee, and an instrument signed by such receiver or trustee shall be deemed the equivalent of any similar instrument of the Issuers or of any officer or officers thereof required by the provisions of this Article XI; and if the Trustee or the Collateral Agent shall be in the possession of the Collateral under any provision of this Indenture, then such powers may be exercised by the Trustee or the Collateral Agent, as the case may be.

SECTION 11.08. Release Upon Termination of the Issuers' Obligations. In the event (i) that the Issuers deliver to the Trustee, in form and substance acceptable to it, an Officers' Certificate and Opinion of Counsel certifying that all the obligations under this Indenture, the Notes and the Security Documents have been satisfied and discharged by the payment in full of the Issuers' obligations under the Notes, this Indenture and the Security Documents, and all such obligations have been so satisfied, or (ii) a discharge, legal defeasance or covenant defeasance of this Indenture occurs under Article VIII, the Trustee shall deliver to the Issuers and the Collateral Agent a notice stating that the Trustee, on behalf of the holders, disclaims and gives up any and all rights it has in or to the Collateral, and any rights it has under the Security Documents, and upon receipt by the Collateral Agent of such notice, the Collateral Agent shall be deemed not to hold a Lien in the Collateral on behalf of the Trustee and shall (or shall direct the Collateral Agent to) do or cause to be done all acts reasonably necessary to release such Lien as soon as is reasonably practicable.

SECTION 11.09. Designations. For purposes of the provisions hereof and any First Lien Intercreditor Agreement requiring the Issuers to designate Indebtedness for the purposes of the terms First Priority Lien Obligations and Other First Priority Lien Obligations or any other such designations hereunder or under any First Lien Intercreditor Agreement, any such designation shall be sufficient if the relevant designation provides in writing that such First Priority Lien Obligations or Other First Priority Lien Obligations are permitted under this Indenture and is signed on behalf of the Issuers by an Officer and delivered to the Trustee and the Collateral Agent.

SECTION 11.10. Appointment and Authorization of U.S. Bank National Association as Collateral Agent. U.S. Bank National Association is hereby designated and appointed as the Collateral Agent of the Holders under the Security Documents, and is authorized as the Collateral Agent for such Holders to execute and enter into each of the Security Documents and all other instruments relating to the Security Documents and (i) to take action and exercise such powers as are expressly required or permitted hereunder and under the Security Documents and all instruments relating hereto and thereto, (ii) to exercise such powers and perform such duties as are, in each case, expressly delegated to the Collateral Agent by the terms hereof and thereof together with such other powers and discretions as are reasonably incidental hereto and thereto and (iii) to act upon the directions of the Trustee.

ARTICLE XII

GUARANTEE

SECTION 12.01. Guarantee.

(a) To the extent applicable, each Subsidiary Guarantor hereby jointly and severably, irrevocably and unconditionally guarantees, on a first-priority secured basis, as a primary obligor and not merely as a surety, to each holder and to the Trustee and its successors and assigns (i) the full and punctual payment when due, whether at Stated Maturity, by acceleration, by redemption or otherwise, of all obligations of the Issuers under this Indenture (including obligations to the Trustee) and the Notes, whether for payment of principal of, premium, if any, or interest on in respect of the Notes and all other monetary obligations of the Issuers under this Indenture and the Notes and (ii) the full and punctual performance within applicable grace periods of all other obligations of the Issuers whether for fees, expenses, indemnification or otherwise under this Indenture and the Notes (all the foregoing being hereinafter collectively called the “Guaranteed Obligations”). Each Subsidiary Guarantor further agrees that the Guaranteed Obligations may be extended or renewed, in whole or in part, without notice or further assent from any Subsidiary Guarantor, and that each Subsidiary Guarantor shall remain bound under this Article XII notwithstanding any extension or renewal of any Guaranteed Obligation.

(b) To the extent applicable, each Subsidiary Guarantor waives presentation to, demand of payment from and protest to the Issuers of any of the Guaranteed Obligations and also waives notice of protest for nonpayment. Each Subsidiary Guarantor waives notice of any default under the Notes or the Guaranteed Obligations. The obligations of each Subsidiary Guarantor hereunder shall not be affected by (i) the failure of any holder or the Trustee to assert any claim or demand or to enforce any right or remedy against the Issuers or any other Person under this Indenture, the Notes or any other agreement or otherwise; (ii) any extension or renewal of this Indenture, the Notes or any other agreement; (iii) any rescission, waiver, amendment or modification of any of the terms or provisions of this Indenture, the Notes or any other agreement; (iv) the release of any security held by any holder or the Trustee for the Guaranteed Obligations or each Subsidiary Guarantor; (v) the failure of any holder or Trustee to exercise any right or remedy against any other guarantor of the Guaranteed Obligations; or (vi) any change in the ownership of each Subsidiary Guarantor, except as provided in Section 12.02(b) or Section 12.02(c). Each Subsidiary Guarantor hereby waives any right to which it may be entitled to have its obligations hereunder divided among the Subsidiary Guarantors, such that such Subsidiary Guarantor's obligations would be less than the full amount claimed.

(c) Each Subsidiary Guarantor hereby waives any right to which it may be entitled to have the assets of the Issuers first be used and depleted as payment of the Issuers' or such Subsidiary Guarantor's obligations hereunder prior to any amounts being claimed from or paid by such Subsidiary Guarantor hereunder. Each Subsidiary Guarantor hereby waives any right to which it may be entitled to require that the Issuers be sued prior to an action being initiated against such Subsidiary Guarantor.

(d) Each Subsidiary Guarantor further agrees that its Note Guarantee herein constitutes a guarantee of payment, performance and compliance when due (and not a guarantee of collection) and waives any right to require that any resort be had by any holder or the Trustee to any security held for payment of the Guaranteed Obligations.

(e) The Note Guarantee of each Subsidiary Guarantor is, to the extent and in the manner set forth in Article XII, equal in right of payment to all existing and future Pari Passu Indebtedness, and senior in right of payment to all existing and future Subordinated Indebtedness of the Issuers and is made subject to such provisions of this Indenture.

(f) Except as expressly set forth in Sections 8.01(b), 12.02 and 12.06, the obligations of each Subsidiary Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense of setoff, counterclaim, recoupment or termination whatsoever or by reason of the invalidity, illegality or unenforceability of the Guaranteed Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Subsidiary Guarantor herein shall not be discharged or impaired or otherwise affected by the failure of any holder or the Trustee to assert any claim or demand or to enforce any remedy under this Indenture, the Notes or any other agreement, by any waiver or modification of any thereof, by any default, failure or delay, willful or otherwise, in the performance of the obligations, or by any other act or thing or omission or delay to do any other act or thing which may or might in any manner or to any extent vary the risk of any Subsidiary Guarantor or would otherwise operate as a discharge of any Subsidiary Guarantor as a matter of law or equity.

(g) Each Subsidiary Guarantor agrees that its Note Guarantee shall remain in full force and effect until payment in full of all the Guaranteed Obligations. Each Subsidiary Guarantor further agrees that its Note Guarantee herein shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any Guaranteed Obligation is rescinded or must otherwise be restored by any holder or the Trustee upon the bankruptcy or reorganization of the Issuers or otherwise.

(h) In furtherance of the foregoing and not in limitation of any other right which any holder or the Trustee has at law or in equity against any Subsidiary Guarantor by virtue hereof, upon the failure of the Issuers to pay the principal of or interest on any Guaranteed Obligation when and as the same shall become due, whether at maturity, by acceleration, by redemption or otherwise, or to perform or comply with any other Guaranteed Obligation, each Subsidiary Guarantor hereby promises to and shall, upon receipt of written demand by the Trustee, forthwith pay, or cause to be paid, in cash, to the holders or the Trustee an amount equal to the sum of (i) the unpaid principal amount of such Guaranteed Obligations, (ii) accrued and unpaid interest on such Guaranteed Obligations (but only to the extent not prohibited by applicable law) and (iii) all other monetary obligations of the Issuers to the holders and the Trustee.

(i) Each Subsidiary Guarantor agrees that it shall not be entitled to any right of subrogation in relation to the holders in respect of any Guaranteed Obligations guaranteed hereby until payment in full of all Guaranteed Obligations. Each Subsidiary Guarantor further

agrees that, as between it, on the one hand, and the holders and the Trustee, on the other hand, (i) the maturity of the Guaranteed Obligations guaranteed hereby may be accelerated as provided in Article VI for the purposes of the Guarantee herein, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Guaranteed Obligations guaranteed hereby, and (ii) in the event of any declaration of acceleration of such Guaranteed Obligations as provided in Article VI, such Guaranteed Obligations (whether or not due and payable) shall forthwith become due and payable the Subsidiary Guarantors for the purposes of this Section 12.01.

(j) Each Subsidiary Guarantor also agrees to pay any and all costs and expenses (including reasonable attorneys' fees and expenses) Incurred by the Trustee or any holder in enforcing any rights under this Section 12.01.

(k) Upon request of the Trustee, each Subsidiary Guarantor shall execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

SECTION 12.02. Limitation on Liability.

(a) Any term or provision of this Indenture to the contrary notwithstanding, the maximum aggregate amount of the Guaranteed Obligations guaranteed hereunder by each Subsidiary Guarantor shall not exceed the maximum amount that can be hereby guaranteed without rendering this Indenture, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

(b) A Note Guarantee as to any Subsidiary that executes a supplemental indenture in accordance with Section 4.12 hereof and provides a guarantee shall terminate and be of no further force or effect and such Subsidiary Guarantor shall be deemed to be released from all obligations under this Article XII upon:

(i) the sale, disposition, exchange or other transfer (including through merger, consolidation, amalgamation or otherwise) of the Capital Stock (including any sale, disposition or other transfer following which the applicable Subsidiary Guarantor is no longer a Wholly Owned Restricted Subsidiary), of the applicable Subsidiary Guarantor if such sale, disposition, exchange or other transfer is made in a manner not in violation of this Indenture;

(ii) the Company designating such Subsidiary Guarantor to be an Unrestricted Subsidiary in accordance with the provisions of Section 4.04 and the definition of "Unrestricted Subsidiary";

(iii) the release or discharge of the pledge by such Subsidiary Guarantor of other Indebtedness or the guarantee of any other Indebtedness which resulted in the obligation to guarantee the Notes; and

(iv) the Issuers' exercise of its legal defeasance option or covenant defeasance option under Article VIII or if the Issuers' obligations under this Indenture are discharged in accordance with the terms of this Indenture.

A Note Guarantee as to any Subsidiary also will be automatically released upon the applicable Subsidiary ceasing to be a Subsidiary as a result of any foreclosure of any pledge or security interest securing Bank Indebtedness or other exercise of remedies in respect thereof.

SECTION 12.03. Successors and Assigns. This Article XII shall be binding upon each Subsidiary Guarantor and its successors and assigns and shall inure to the benefit of the successors and assigns of the Trustee and the holders and, in the event of any transfer or assignment of rights by any holder or the Trustee, the rights and privileges conferred upon that party in this Indenture and in the Notes shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions of this Indenture.

SECTION 12.04. No Waiver. Neither a failure nor a delay on the part of either the Trustee or the holders in exercising any right, power or privilege under this Article XII shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of any right, power or privilege. The rights, remedies and benefits of the Trustee and the holders herein expressly specified are cumulative and not exclusive of any other rights, remedies or benefits which either may have under this Article XII at law, in equity, by statute or otherwise.

SECTION 12.05. Modification. No modification, amendment or waiver of any provision of this Article XII, nor the consent to any departure by any Subsidiary Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by the Trustee, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any Subsidiary Guarantor in any case shall entitle any Subsidiary Guarantor to any other or further notice or demand in the same, similar or other circumstances.

SECTION 12.06. Execution of Supplemental Indenture for Future Subsidiary Guarantors. Each Subsidiary and other Person which is required to become a Subsidiary Guarantor of the Notes pursuant to Section 4.12 shall promptly execute and deliver to the Trustee a supplemental indenture in the form of Exhibit C hereto pursuant to which such Subsidiary or other Person shall become a Subsidiary Guarantor under this Article XII and shall guarantee the Notes. Concurrently with the execution and delivery of such supplemental indenture, the Issuers shall deliver to the Trustee an Opinion of Counsel and an Officer's Certificate to the effect that such supplemental indenture has been duly authorized, executed and delivered by such Subsidiary or other Person and that, subject to the application of bankruptcy, insolvency, moratorium, fraudulent conveyance or transfer and other similar laws relating to creditors' rights generally and to the principles of equity, whether considered in a proceeding at law or in equity, the Guarantee of such Subsidiary Guarantor is a valid and binding obligation of such guarantor, enforceable against such Subsidiary Guarantor in accordance with its terms and/or to such other matters as the Trustee may reasonably request.

SECTION 12.07. Non-Impairment. The failure to endorse a Note Guarantee shall not affect or impair the validity thereof.

ARTICLE XIII

MISCELLANEOUS

SECTION 13.01. Trust Indenture Act Controls. If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by Trust Indenture Act Section 318(c) in respect of Sections of the Trust Indenture Act that are incorporated by reference in this Indenture pursuant to Section 1.03, the imposed duties shall control.

SECTION 13.02. Notices.

(a) Any notice or communication required or permitted hereunder shall be in writing and delivered in person, via facsimile or mailed by first-class mail addressed as follows:

if to the Issuers or a Subsidiary Guarantor:

Chester Downs and Marina, LLC
Chester Downs Finance Corp.
c/o Caesar's Entertainment Corp.
One Caesar's Palace Drive
Las Vegas, Nevada 89101-8969
Telephone: (702) 407-6000
Facsimile: (702) 407-6418
Attn: General Counsel

if to the Trustee:

U.S. Bank National Association
60 Livingston Avenue
St. Paul, Minnesota 55107-1419
Telephone: (651) 495-3909
Facsimile: (651) 495-8097
Attn: Corporate Trust Services, Raymond S. Haverstock

The Issuers or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

(b) Any notice or communication mailed to a holder shall be mailed, first class mail, to the holder at the holder's address as it appears on the registration books of the Registrar and shall be sufficiently given if so mailed within the time prescribed.

(c) Failure to mail a notice or communication to a holder or any defect in it shall not affect its sufficiency with respect to other holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it, except that notices to the Trustee are effective only if received.

SECTION 13.03. Communication by the Holders with Other Holders. The holders may communicate pursuant to Section 312(b) of the TIA with other holders with respect to their rights under this Indenture or the Notes. The Issuers, the Trustee, the Registrar and other Persons shall have the protection of Section 312(c) of the TIA.

SECTION 13.04. Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Issuers to the Trustee to take or refrain from taking any action under this Indenture, the Issuers shall furnish to the Trustee at the request of the Trustee:

(a) an Officers' Certificate in form reasonably satisfactory to the Trustee stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(b) an Opinion of Counsel in form reasonably satisfactory to the Trustee stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

SECTION 13.05. Statements Required in Certificate or Opinion. Each certificate or opinion with respect to compliance with a covenant or condition provided for in this Indenture (other than pursuant to Section 4.10) shall include:

(a) a statement that the individual making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of such individual, such covenant or condition has been complied with; *provided, however*, that with respect to matters of fact an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials.

SECTION 13.06. When Notes Disregarded. In determining whether the holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Issuers or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuers shall be disregarded and deemed not to be outstanding, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes which the Trustee knows are so owned shall be so disregarded. Subject to the foregoing, only Notes outstanding at the time shall be considered in any such determination.

SECTION 13.07. Rules by Trustee, Paying Agent and Registrar. The Trustee may make reasonable rules for action by or a meeting of the holders. The Registrar and a Paying Agent may make reasonable rules for their functions.

SECTION 13.08. Legal Holidays. If a payment date is not a Business Day, payment shall be made on the next succeeding day that is a Business Day, and no interest shall accrue on any amount that would have been otherwise payable on such payment date if it were a Business Day for the intervening period. If a regular Record Date is not a Business Day, the Record Date shall not be affected.

SECTION 13.09. GOVERNING LAW. **THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.**

SECTION 13.10. No Recourse Against Others. No director, officer, employee, manager, incorporator or holder of any Equity Interests in the Issuers or of any Subsidiary Guarantor or any direct or indirect parent corporation, as such, shall have any liability for any obligations of the Issuers or any Subsidiary Guarantor under the Notes or this Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

SECTION 13.11. Successors. All agreements of any Issuer and any Subsidiary Guarantor in this Indenture and the Notes shall bind its successors. All agreements of the Trustee and Collateral Agent in this Indenture shall bind its successors.

SECTION 13.12. Multiple Originals. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture.

SECTION 13.13. Table of Contents; Headings. The table of contents, cross-reference sheet and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

SECTION 13.14. Indenture Controls. If and to the extent that any provision of the Notes limits, qualifies or conflicts with a provision of this Indenture, such provision of this Indenture shall control.

SECTION 13.15. Severability. In case any provision in this Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and such provision shall be ineffective only to the extent of such invalidity, illegality or unenforceability.

SECTION 13.16. Intercreditor Agreements. The terms of this Indenture are subject to the terms of any First Lien Intercreditor Agreement and any Second Lien Intercreditor Agreement.

SECTION 13.17. Acts of Holders. Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by holders may be embodied in and evidenced by one or more instruments of substantially

similar tenor signed by such holders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Issuers. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the “Act” of holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Issuers, if made in the manner provided in this Section.

The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to such officer the execution thereof. Where such execution is by a signer acting in a capacity other than such signer’s individual capacity, such certificate or affidavit shall also constitute sufficient proof of such signer’s authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

The ownership of the Notes shall be proved by the register of the Notes kept by the Registrar.

Any request, demand, authorization, direction, notice, consent, waiver or other Act of the holder of any Note shall bind every future holder of the same Note and the holder of every Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Issuers in reliance thereon, whether or not notation of such action is made upon such Note.

If the Issuers shall solicit from the holders any request, demand, authorization, direction, notice, consent, waiver or other Act, the Issuers may, at their option, by or pursuant to a resolution of the Board of Directors or any committee thereof of the Company, fix in advance a record date for the determination of holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Issuers shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the holders of record at the close of business on such record date shall be deemed to be holders for the purposes of determining whether holders of the requisite proportion of the outstanding Notes have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the outstanding Notes shall be computed as of such record date; provided that no such authorization, agreement or consent by the holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

SECTION 13.18. Security Advice Waiver. The parties hereto acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant them the right to receive brokerage confirmations for certain security transactions as they occur, they each specifically waive receipt of such confirmations to the extent permitted by law.

SECTION 13.19. Patriot Act. The parties hereto acknowledge that in accordance with Section 326 of the U.S.A. Patriot Act, the Trustee, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The parties hereto agree that they will provide the Trustee with such information as it may request in order for the Trustee to satisfy the requirements of the U.S.A. Patriot Act.

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IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed as of the date first written above.

CHESTER DOWNS AND MARINA, LLC

By: HARRAH'S CHESTER DOWNS INVESTMENT
COMPANY, LLC, a Delaware limited liability
company

Its: Managing Member

By: /s/ Jonathan Halkyard
Name: Jonathan Halkyard
Title: Treasurer and Secretary

CHESTER DOWNS FINANCE CORP.

By: /s/ Jonathan Halkyard
Name: Jonathan Halkyard
Title: Senior Vice President and Treasurer

[Indenture]

By: /s/ Raymond S. Haverstock

Name: Raymond S. Haverstock

Title: Vice President

PROVISIONS RELATING TO INITIAL SECURITIES AND ADDITIONAL SECURITIES

1. Definitions.

1.1 Definitions.

For the purposes of this Appendix A the following terms shall have the meanings indicated below:

“Definitive Note” means a certificated Initial Note (bearing the Restricted Notes Legend if the transfer of such Note is restricted by applicable law) that does not include the Global Notes Legend.

“Depository” means The Depository Trust Company, its nominees and their respective successors.

“Global Note” means a certificated Initial Note that includes the Global Notes Legend.

“Global Notes Legend” means the legend set forth under that caption in the applicable Exhibit to this Indenture.

“IAI” means an institutional “accredited investor” as described in Rule 501(a)(1), (2), (3) or (7) under the Securities Act.

“Notes Custodian” means the custodian with respect to a Global Note (as appointed by the Depository) or any successor person thereto, who shall initially be the Trustee.

“QIB” means a “qualified institutional buyer” as defined in Rule 144A.

“Regulation S” means Regulation S under the Securities Act.

“Regulation S Notes” means all Initial Notes offered and sold outside the United States in reliance on Regulation S.

“Restricted Notes Legend” means the legend set forth in Section 2.2(f)(i) herein.

“Restricted Period,” with respect to any Notes, means the period of 40 consecutive days beginning on and including the later of (a) the day on which such Notes are first offered to persons other than distributors (as defined in Regulation S under the Securities Act) in reliance on Regulation S, notice of which day shall be promptly given by the Issuers to the Trustee, and (b) the Issue Date.

“Rule 144A” means Rule 144A under the Securities Act.

“Rule 144A Notes” means all Initial Notes offered and sold to QIBs in reliance on Rule 144A.

“Rule 501” means Rule 501(a)(1), (2), (3) or (7) under the Securities Act.

“Transfer Restricted Definitive Notes” means Definitive Notes that bear or are required to bear or are subject to the Restricted Notes Legend.

“Transfer Restricted Global Notes” means Global Notes that bear or are required to bear or are subject to the Restricted Notes Legend.

“Unrestricted Definitive Notes” means Definitive Notes that are not required to bear, or are not subject to, the Restricted Notes Legend.

“Unrestricted Global Notes” means Global Notes that are not required to bear, or are not subject to, the Restricted Notes Legend.

1.2 Other Definitions.

<u>Term:</u>	<u>Defined in Section:</u>
Agent Members	2.1(b)
Global Notes	2.1(b)
Regulation S Global Notes	2.1(b)
Rule 144A Global Notes	2.1(b)

2. The Notes.

2.1 Form and Dating; Global Notes.

(a) The Initial Notes issued on the date hereof will be (i) privately placed by the Issuers pursuant to the Offering Memorandum and (ii) sold, initially only to (1) QIBs in reliance on Rule 144A and (2) Persons other than U.S. Persons (as defined in Regulation S) in reliance on Regulation S. Such Initial Notes may thereafter be transferred to, among others, QIBs, purchasers in reliance on Regulation S and, except as set forth below, IAIs in accordance with Rule 501. Additional Notes offered after the date hereof may be offered and sold by the Issuers from time to time pursuant to one or more agreements in accordance with applicable law.

(b) Global Notes. (i) Except as provided in clause (d) below, Rule 144A Notes initially shall be represented by one or more Notes in definitive, fully registered, global form without interest coupons (collectively, the “Rule 144A Global Notes”).

Regulation S Notes initially shall be represented by one or more Notes in fully registered, global form without interest coupons (collectively, the “Regulation S Global Notes”), which shall be registered in the name of the Depository or the nominee of the Depository for the accounts of designated agents holding on behalf of Euroclear or Clearstream.

The term “Global Notes” means the Rule 144A Global Notes and the Regulation S Global Notes. The Global Notes shall bear the Global Note Legend. The Global Notes initially shall (i) be registered in the name of the Depository or the nominee of such Depository, in each case for credit to an account of an Agent Member, (ii) be delivered to the Trustee as custodian for such Depository and (iii) bear the Restricted Notes Legend.

Members of, or direct or indirect participants in, the Depository (collectively, the “**Agent Members**”) shall have no rights under this Indenture with respect to any Global Note held on their behalf by the Depository, or the Trustee as its custodian, or under the Global Notes. The Depository may be treated by the Issuers, the Trustee and any agent of the Issuers or the Trustee as the absolute owner of the Global Notes for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuers, the Trustee or any agent of the Issuers or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depository, or impair, as between the Depository and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any Note.

(ii) Transfers of Global Notes shall be limited to transfer in whole, but not in part, to the Depository, its successors or their respective nominees. Interests of beneficial owners in the Global Notes may be transferred or exchanged for Definitive Notes only in accordance with the applicable rules and procedures of the Depository and the provisions of Section 2.2. In addition, a Global Note shall be exchangeable for Definitive Notes if (x) the Depository (1) notifies the Issuers that it is unwilling or unable to continue as depository for such Global Note and the Issuers thereupon fail to appoint a successor depository or (2) has ceased to be a clearing agency registered under the Exchange Act or (y) there shall have occurred and be continuing an Event of Default with respect to such Global Note; *provided* that in no event shall the Regulation S Global Note be exchanged by the Issuers for Definitive Notes prior to (x) the expiration of the Restricted Period and (y) the receipt by the Registrar of any certificates required pursuant to Rule 903(b)(3)(ii)(B) under the Securities Act. In all cases, Definitive Notes delivered in exchange for any Global Note or beneficial interests therein shall be registered in the names, and issued in any approved denominations, requested by or on behalf of the Depository in accordance with its customary procedures.

(iii) In connection with the transfer of a Global Note as an entirety to beneficial owners pursuant to subsection (i) of this Section 2.1(b), such Global Note shall be deemed to be surrendered to the Trustee for cancellation, and the Issuers shall execute, and the Trustee shall authenticate and make available for delivery, to each beneficial owner identified by the Depository in writing in exchange for its beneficial interest in such Global Note, an equal aggregate principal amount of Definitive Notes of authorized denominations.

(iv) Any Transfer Restricted Note delivered in exchange for an interest in a Global Note pursuant to Section 2.2 shall, except as otherwise provided in Section 2.2, bear the Restricted Notes Legend.

(v) Notwithstanding the foregoing, through the Restricted Period, a beneficial interest in a Regulation S Global Note may be held only through Euroclear or Clearstream unless delivery is made in accordance with the applicable provisions of Section 2.2.

(vi) The holder of any Global Note may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a holder is entitled to take under this Indenture or the Notes.

2.2 Transfer and Exchange.

(a) Transfer and Exchange of Global Notes. A Global Note may not be transferred as a whole except as set forth in Section 2.1(b). Global Notes will not be exchanged by the Issuers for Definitive Notes except under the circumstances described in Section 2.1(b)(ii). Global Notes also may be exchanged or replaced, in whole or in part, as provided in Section 2.08 of this Indenture. Beneficial interests in a Global Note may be transferred and exchanged as provided in Section 2.2(b).

(b) Transfer and Exchange of Beneficial Interests in Global Notes. The transfer and exchange of beneficial interests in the Global Notes shall be effected through the Depository, in accordance with the provisions of this Indenture and the applicable rules and procedures of the Depository. Beneficial interests in Transfer Restricted Global Notes shall be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Beneficial interests in Global Notes shall be transferred or exchanged only for beneficial interests in Global Notes. Transfers and exchanges of beneficial interests in the Global Notes also shall require compliance with either subparagraph (i) or (ii) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

(i) Transfer of Beneficial Interests in the Same Global Note. Beneficial interests in any Transfer Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Transfer Restricted Global Note in accordance with the transfer restrictions set forth in the Restricted Notes Legend; *provided, however*, that prior to the expiration of the Restricted Period, transfers of beneficial interests in a Regulation S Global Note may not be made to a U.S. Person or for the account or benefit of a U.S. Person. A beneficial interest in an Unrestricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 2.2(b)(i).

(ii) All Other Transfers and Exchanges of Beneficial Interests in Global Notes. In connection with all transfers and exchanges of beneficial interests in any Global Note that is not subject to Section 2.2(b)(i), the transferor of such beneficial interest must deliver to the Registrar (1) a written order from an Agent Member given to the Depository in accordance with the applicable rules and procedures of the Depository directing the Depository to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given in accordance with the applicable rules and procedures of the Depository containing information regarding the Agent Member account to be credited with such increase. Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture and the Notes or otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Note pursuant to Section 2.2(i).

(iii) Transfer of Beneficial Interests to Another Restricted Global Note. A beneficial interest in a Transfer Restricted Global Note may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Global Note if the transfer complies with the requirements of Section 2.2(b)(ii) above and the Registrar receives the following:

(A) if the transferee will take delivery in the form of a beneficial interest in a Rule 144A Global Note, then the transferor must deliver a certificate in the form attached to the applicable Note; and

(B) if the transferee will take delivery in the form of a beneficial interest in a Regulation S Global Note, then the transferor must deliver a certificate in the form attached to the applicable Note.

(iv) Transfer and Exchange of Beneficial Interests in a Transfer Restricted Global Note for Beneficial Interests in an Unrestricted Global Note. A beneficial interest in a Transfer Restricted Global Note may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Note or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note if the exchange or transfer complies with the requirements of Section 2.2(b)(ii) above and the Registrar receives the following:

(A) if the holder of such beneficial interest in a Transfer Restricted Global Note proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form attached to the applicable Note; or

(B) if the holder of such beneficial interest in a Transfer Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form attached to the applicable Note,

and, in each such case, if the Issuer or the Registrar so requests or if the applicable rules and procedures of the Depository so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Restricted Notes Legend are no longer required in order to maintain compliance with the Securities Act. If any such transfer or exchange is effected pursuant to this subparagraph (iv) at a time when an Unrestricted Global Note has not yet been issued, the Issuer shall issue and, upon receipt of a written order of the Issuer in the form of an Officers' Certificate in accordance with Section 2.01, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred or exchanged pursuant to this subparagraph (iv).

(v) Transfer and Exchange of Beneficial Interests in an Unrestricted Global Note for Beneficial Interests in a Transfer Restricted Global Note. Beneficial interests in an Unrestricted Global Note cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Transfer Restricted Global Note.

(c) Transfer and Exchange of Beneficial Interests in Global Notes for Definitive Notes. A beneficial interest in a Global Note may not be exchanged for a Definitive Note except under the circumstances described in Section 2.1(b)(ii). A beneficial interest in a Global Note may not be transferred to a Person who takes delivery thereof in the form of a Definitive Note except under the circumstances described in Section 2.1(b)(ii). In any case, beneficial interests in Global Notes shall be transferred or exchanged only for Definitive Notes.

(d) Transfer and Exchange of Definitive Notes for Beneficial Interests in Global Notes. Transfers and exchanges of Definitive Notes for beneficial interests in the Global Notes also shall require compliance with either subparagraph (i), (ii) or (iii) below, as applicable:

(i) Transfer Restricted Definitive Notes to Beneficial Interests in Transfer Restricted Global Notes. If any holder of a Transfer Restricted Definitive Note proposes to exchange such Transfer Restricted Definitive Note for a beneficial interest in a Transfer Restricted Global Note or to transfer such Transfer Restricted Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Note, then, upon receipt by the Registrar of the following documentation:

(A) if the holder of such Transfer Restricted Definitive Note proposes to exchange such Transfer Restricted Note for a beneficial interest in a Transfer Restricted Global Note, a certificate from such holder in the form attached to the applicable Note;

(B) if such Transfer Restricted Definitive Note is being transferred to a QIB in accordance with Rule 144A under the Securities Act, a certificate from such holder in the form attached to the applicable Note;

(C) if such Transfer Restricted Definitive Note is being transferred to a Non U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904 under the Securities Act, a certificate from such holder in the form attached to the applicable Note;

(D) if such Transfer Restricted Definitive Note is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144 under the Securities Act, a certificate from such holder in the form attached to the applicable Note;

(E) if such Transfer Restricted Definitive Note is being transferred to an IAI in reliance on an exemption from the registration requirements of the Securities Act other than those listed in subparagraphs (B) through (D) above, a certificate from such holder in the form attached to the applicable Note, including the certifications, certificates and Opinion of Counsel, if applicable; or

(F) if such Transfer Restricted Definitive Note is being transferred to the Issuer or a Subsidiary thereof, a certificate from such holder in the form attached to the applicable Note;

the Trustee shall cancel the Transfer Restricted Definitive Note, and increase or cause to be increased the aggregate principal amount of the appropriate Transfer Restricted Global Note.

(ii) Transfer Restricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes. A holder of a Transfer Restricted Definitive Note may exchange such Transfer Restricted Definitive Note for a beneficial interest in an Unrestricted Global Note or transfer such Transfer Restricted Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note only if the Registrar receives the following:

(A) if the holder of such Transfer Restricted Definitive Note proposes to exchange such Transfer Restricted Definitive Note for a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form attached to the applicable Note; or

(B) if the holder of such Transfer Restricted Definitive Notes proposes to transfer such Transfer Restricted Definitive Note to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form attached to the applicable Note,

and, in each such case, if the Issuer or the Registrar so requests or if the applicable rules and procedures of the Depository so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Restricted Notes Legend are no longer required in order to maintain compliance with the Securities Act. Upon satisfaction of the conditions of this subparagraph (ii), the Trustee shall cancel the Transfer Restricted Definitive Notes and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Note. If any such transfer or exchange is effected pursuant to this subparagraph (ii) at a time when an Unrestricted Global Note has not yet been issued, the Issuer shall issue and, upon receipt of a written order of the Issuer in the form of an Officers' Certificate, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of Transfer Restricted Notes transferred or exchanged pursuant to this subparagraph (ii).

(iii) Unrestricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes. A holder of an Unrestricted Definitive Note may exchange such Unrestricted Definitive Note for a beneficial interest in an Unrestricted Global Note or transfer such Unrestricted Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note at any time. Upon receipt of a request for such an exchange or transfer, the Trustee shall cancel the applicable Unrestricted Definitive Note and increase or cause to be increased the aggregate principal

amount of one of the Unrestricted Global Notes. If any such transfer or exchange is effected pursuant to this subparagraph (iii) at a time when an Unrestricted Global Note has not yet been issued, the Issuer shall issue and, upon receipt of an written order of the Issuer in the form of an Officers' Certificate, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of Unrestricted Definitive Notes transferred or exchanged pursuant to this subparagraph (iii).

(iv) Unrestricted Definitive Notes to Beneficial Interests in Transfer Restricted Global Notes. An Unrestricted Definitive Note cannot be exchanged for, or transferred to a Person who takes delivery thereof in the form of, a beneficial interest in a Transfer Restricted Global Note.

(e) Transfer and Exchange of Definitive Notes for Definitive Notes. Upon request by a holder of Definitive Notes and such holder's compliance with the provisions of this Section 2.2(e), the Registrar shall register the transfer or exchange of Definitive Notes. Prior to such registration of transfer or exchange, the requesting holder shall present or surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such holder or by its attorney, duly authorized in writing. In addition, the requesting holder shall provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.2(e).

(i) Transfer Restricted Definitive Notes to Transfer Restricted Definitive Notes. A Transfer Restricted Note may be transferred to and registered in the name of a Person who takes delivery thereof in the form of a Transfer Restricted Definitive Note if the Registrar receives the following:

(A) if the transfer will be made pursuant to Rule 144A under the Securities Act, then the transferor must deliver a certificate in the form attached to the applicable Note;

(B) if the transfer will be made pursuant to Rule 903 or Rule 904 under the Securities Act, then the transferor must deliver a certificate in the form attached to the applicable Note;

(C) if the transfer will be made pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144 under the Securities Act, a certificate in the form attached to the applicable Note;

(D) if the transfer will be made to an IAI in reliance on an exemption from the registration requirements of the Securities Act other than those listed in subparagraphs (A) through (D) above, a certificate in the form attached to the applicable Note; and

(E) if such transfer will be made to the Issuers or a Subsidiary thereof, a certificate in the form attached to the applicable Note.

(ii) Transfer Restricted Definitive Notes to Unrestricted Definitive Notes. Any Transfer Restricted Definitive Note may be exchanged by the holder thereof for an Unrestricted Definitive Note or transferred to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note if the Registrar receives the following:

(A) if the holder of such Transfer Restricted Definitive Note proposes to exchange such Transfer Restricted Definitive Note for an Unrestricted Definitive Note, a certificate from such holder in the form attached to the applicable Note; or

(B) if the holder of such Transfer Restricted Definitive Note proposes to transfer such Notes to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such holder in the form attached to the applicable Note,

and, in each such case, if the Registrar so requests, an Opinion of Counsel in form reasonably acceptable to the Issuer to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Restricted Notes Legend are no longer required in order to maintain compliance with the Securities Act.

(iii) Unrestricted Definitive Notes to Unrestricted Definitive Notes. A holder of an Unrestricted Definitive Note may transfer such Unrestricted Definitive Notes to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note at any time. Upon receipt of a request to register such a transfer, the Registrar shall register the Unrestricted Definitive Notes pursuant to the instructions from the holder thereof.

(iv) Unrestricted Definitive Notes to Transfer Restricted Definitive Notes. An Unrestricted Definitive Note cannot be exchanged for, or transferred to a Person who takes delivery thereof in the form of, a Transfer Restricted Definitive Note.

At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or canceled in whole and not in part, each such Global Note shall be returned to or retained and canceled by the Trustee in accordance with Section 2.11. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note or for Definitive Notes, the principal amount of Notes represented by such Global Note shall be reduced accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depository at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note shall be increased accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depository at the direction of the Trustee to reflect such increase.

(f) Legend.

(i) Except as permitted by the following paragraph (iii), each Note certificate evidencing the Global Notes and any Definitive Notes (and all Notes issued in exchange therefor or in substitution thereof) shall bear a legend in substantially the following form (each defined term in the legend being defined as such for purposes of the legend only):

“THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE “SECURITIES ACT”), AND THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUERS THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (IV) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, OR (V) TO AN ACCREDITED INVESTOR WITHIN THE MEANING OF RULE 501(A)(1), (2), (3), (4) OR (7) OF REGULATION D UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (V) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

Each Regulation S Note shall bear the following additional legend:

THIS NOTE (OR ITS PREDECESSOR) MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON

EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED IN THE PRECEDING SENTENCE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT.”

Each Definitive Note shall bear the following additional legend:

“IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.”

(ii) Upon any sale or transfer of a Transfer Restricted Definitive Note, the Registrar shall permit the holder thereof to exchange such Transfer Restricted Note for a Definitive Note that does not bear the legends set forth above and rescind any restriction on the transfer of such Transfer Restricted Definitive Note if the holder certifies in writing to the Registrar that its request for such exchange was made in reliance on Rule 144 (such certification to be in the form set forth on the reverse of the Initial Note).

(iii) Upon a sale or transfer after the expiration of the Restricted Period of any Initial Note acquired pursuant to Regulation S, all requirements that such Initial Note bear the Restricted Notes Legend shall cease to apply and the requirements requiring any such Initial Note be issued in global form shall continue to apply.

(g) Cancellation or Adjustment of Global Note. At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or canceled in whole and not in part, each such Global Note shall be returned to or retained and canceled by the Trustee in accordance with Section 2.11 of this Indenture. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, the principal amount of Notes represented by such Global Note shall be reduced accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depository at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note shall be increased accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depository at the direction of the Trustee to reflect such increase.

(h) Obligations with Respect to Transfers and Exchanges of Notes.

(i) To permit registrations of transfers and exchanges, the Issuers shall execute and the Trustee shall authenticate, Definitive Notes and Global Notes at the Registrar’s request.

(ii) No service charge shall be made for any registration of transfer or exchange, but the Issuers may require payment of a sum sufficient to cover any transfer tax, assessments, or similar governmental charge payable in connection therewith (other than any such transfer taxes, assessments or similar governmental charge payable upon exchanges pursuant to Sections 3.06, 4.06, 4.08 and 9.05 of this Indenture).

(iii) Prior to the due presentation for registration of transfer of any Note, the Issuers, the Trustee, a Paying Agent or the Registrar may deem and treat the person in whose name a Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Note and for all other purposes whatsoever, whether or not such Note is overdue, and none of the Issuers, the Trustee, the Paying Agent or the Registrar shall be affected by notice to the contrary.

(iv) All Notes issued upon any transfer or exchange pursuant to the terms of this Indenture shall evidence the same debt and shall be entitled to the same benefits under this Indenture as the Notes surrendered upon such transfer or exchange.

(i) No Obligation of the Trustee.

(i) The Trustee shall have no responsibility or obligation to any beneficial owner of a Global Note, a member of, or a participant in the Depository or any other Person with respect to the accuracy of the records of the Depository or its nominee or of any participant or member thereof, with respect to any ownership interest in the Notes or with respect to the delivery to any participant, member, beneficial owner or other Person (other than the Depository) of any notice (including any notice of redemption or repurchase) or the payment of any amount, under or with respect to such Notes. All notices and communications to be given to the holders and all payments to be made to the holders under the Notes shall be given or made only to the registered holders (which shall be the Depository or its nominee in the case of a Global Note). The rights of beneficial owners in any Global Note shall be exercised only through the Depository subject to the applicable rules and procedures of the Depository. The Trustee may rely and shall be fully protected in relying upon information furnished by the Depository with respect to its members, participants and any beneficial owners.

(ii) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among Depository participants, members or beneficial owners in any Global Note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

[FORM OF FACE OF INITIAL NOTE]

[Global Notes Legend]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO DTC, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR’S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

[Restricted Notes Legend]

“THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE “SECURITIES ACT”), AND THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUERS THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (IV) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, OR (V) TO AN ACCREDITED INVESTOR WITHIN THE MEANING OF RULE 501(A)(1), (2), (3), (4) OR (7) OF REGULATION D

UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (V) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

[Regulation S Legend]

THIS NOTE (OR ITS PREDECESSOR) MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED IN THE PRECEDING SENTENCE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT.”

Each Definitive Note shall bear the following additional legend:

“IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.”

[FORM OF INITIAL NOTE]

No.

[144A] CUSIP No.

165749 AA0

[144A] ISIN No.

US165749AA05

[REG S] CUSIP No.

U1653P AA7

[REG S] ISIN No.

USU 1653PAA76

9.25% Senior Secured Note due 2020

CHESTER DOWNS AND MARINA, LLC, a Pennsylvania limited liability company and CHESTER DOWNS FINANCE CORP., a Delaware corporation, promise to pay to Cede & Co., or registered assigns, the principal sum set forth on the Schedule of Increases or Decreases in Global Security attached hereto on February 1, 2020.

Interest Payment Dates: February 1 and August 1

Record Dates: January 15 and July 15

Additional provisions of this Note are set forth on the other side of this Note.

IN WITNESS WHEREOF, the parties have caused this instrument to be duly executed.

CHESTER DOWNS AND MARINA, LLC

By: HARRAH'S CHESTER DOWNS INVESTMENT
COMPANY, LLC, a Delaware limited liability
company

Its: Managing Member

By: _____
Name:
Title:

CHESTER DOWNS FINANCE CORP.

By: _____
Name:
Title:

Dated: February [], 2012

TRUSTEE’S CERTIFICATE OF
AUTHENTICATION

U.S. BANK NATIONAL ASSOCIATION
as Trustee, certifies that this is
one of the Notes
referred to in the Indenture.

By: _____
Authorized Signatory

*/ If the Note is to be issued in global form, add the Global Notes Legend and the attachment from Exhibit A captioned “TO BE ATTACHED TO GLOBAL
SECURITIES - SCHEDULE OF INCREASES OR DECREASES IN GLOBAL SECURITY.”

9.25% Senior Secured Note Due 2020

1. Interest

CHESTER DOWNS AND MARINA, LLC, a Pennsylvania limited liability company and CHESTER DOWNS FINANCE CORP., a Delaware corporation (such entities, and their successors and assigns under the Indenture hereinafter referred to, being herein called the “Issuers”), promise to pay interest on the principal amount of this Note at the rate per annum shown above. The Issuers shall pay interest semiannually on February 1 and August 1 of each year (each an “Interest Payment Date”), commencing August 1, 2012. Interest on the Notes shall accrue from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from February 3, 2012, until the principal hereof is due. Interest shall be computed on the basis of a 360-day year of twelve 30-day months. The Issuers shall pay interest on overdue principal at the rate borne by the Notes, and it shall pay interest on overdue installments of interest at the same rate to the extent lawful.

2. Method of Payment

The Issuers shall pay interest on the Notes (except defaulted interest) to the Persons who are registered holders at the close of business on January 15 and July 15 (each a “Record Date”) next preceding the Interest Payment Date even if Notes are canceled after the Record Date and on or before the Interest Payment Date (whether or not a Business Day). Holders must surrender Notes to the Paying Agent to collect principal payments. The Issuers shall pay principal, premium, if any, and interest in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. Payments in respect of the Notes represented by a Global Note (including principal, premium, if any, and interest) shall be made by wire transfer of immediately available funds to the accounts specified by The Depository Trust Company or any successor depository. The Issuers shall make all payments in respect of a certificated Note (including principal, premium, if any, and interest) at the office of the Paying Agent, except that, at the option of the Issuers, payment of interest may be made by mailing a check to the registered address of each holder thereof; *provided, however*, that payments on the Notes may also be made, in the case of a holder of at least \$1,000,000 aggregate principal amount of Notes, by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States if such holder elects payment by wire transfer by giving written notice to the Trustee or Paying Agent to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

3. Paying Agent and Registrar

Initially, U.S. Bank National Association (the “Trustee”), will act as Paying Agent and Registrar. The Issuers may appoint and change any Paying Agent or Registrar without notice. The Issuers or any of its domestically incorporated Wholly Owned Subsidiaries may act as Paying Agent or Registrar.

4. Indenture

The Issuers issued the Notes under an Indenture dated as of February 3, 2012 (the “Indenture”), among the Issuers and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa 77bbb) as in effect on the date of the Indenture (the “TIA”). Terms defined in the Indenture and not defined herein have the meanings ascribed thereto in the Indenture. The Notes are subject to all terms and provisions of the Indenture, and the holders (as defined in the Indenture) are referred to the Indenture and the TIA for a statement of such terms and provisions.

The Notes are senior secured obligations of the Issuers. This Note is one of the Initial Notes referred to in the Indenture. The Notes include the Initial Notes and any Additional Notes pursuant to the Indenture. The Initial Notes and any Additional Notes are treated as a single class of securities under the Indenture. The Indenture imposes certain limitations on the ability of the Issuers and its Restricted Subsidiaries to, among other things, make certain Investments and other Restricted Payments, pay dividends and other distributions, incur Indebtedness, enter into consensual restrictions upon the payment of certain dividends and distributions by such Restricted Subsidiaries, issue or sell shares of capital stock of the Issuers and such Restricted Subsidiaries, enter into or permit certain transactions with Affiliates, create or incur Liens and make Asset Sales. The Indenture also imposes limitations on the ability of each Issuer and each Subsidiary Guarantor to consolidate or merge with or into any other Person or convey, transfer or lease all or substantially all of its property.

To guarantee the due and punctual payment of the principal and interest on the Notes and all other amounts payable by the Issuers under the Indenture and the Notes when and as the same shall be due and payable, whether at maturity, by acceleration or otherwise, according to the terms of the Notes and the Indenture, any Subsidiary Guarantor that executes a Note Guarantee will unconditionally guarantee the Guaranteed Obligations on a senior secured basis pursuant to the terms of the Indenture.

5. Optional Redemption

On or after February 1, 2016, the Issuers may redeem the Notes at their option, in whole at any time or in part from time to time, upon not less than 30 nor more than 60 days’ prior notice delivered to each holder’s registered address, which in the case of Global Notes, shall be DTC, at the following redemption prices (expressed as a percentage of principal amount), *plus* accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date), if redeemed during the 12-month period commencing on February 1 of the years set forth below:

<u>Period</u>	<u>Redemption Price</u>
2016	104.625%
2017	102.313%
2018 and thereafter	100.000%

In addition, prior to February 1, 2016 the Issuers may redeem the Notes at their option, in whole at any time or in part from time to time, upon not less than 30 nor more than 60 days' prior notice delivered to each holder's registered address, which, in the case of Global Notes, shall be DTC, at a redemption price equal to 100% of the principal amount of the Notes redeemed *plus* the Applicable Premium as of, and accrued and unpaid interest, if any, to, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date).

During any twelve month period prior to February 1, 2015, the Issuers may redeem up to 10% of the original aggregate principal amount of the Notes (calculated after giving effect to any issuance of additional Notes) at a redemption price of 103%, *plus* accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Notwithstanding the foregoing, at any time and from time to time on or prior to February 1, 2015, the Issuers may redeem in the aggregate up to 35% of the original aggregate principal amount of the Notes (calculated after giving effect to any issuance of Additional Notes) with the net cash proceeds of one or more Equity Offerings (1) by the Company or (2) by any direct or indirect parent of the Company to the extent the net cash proceeds thereof are contributed to the common equity capital of the Company or used to purchase Capital Stock (other than Disqualified Stock) of the Issuer from it, at a redemption price (expressed as a percentage of principal amount thereof) of 109.250%, *plus* accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date); *provided, however*, that at least 50% of the original aggregate principal amount of the Notes (calculated after giving effect to any issuance of Additional Notes) must remain outstanding after each such redemption; *provided, further*, that such redemption shall occur within 90 days after the date on which any such Equity Offering is consummated upon not less than 30 nor more than 60 days' notice mailed to each holder of Notes being redeemed and otherwise in accordance with the procedures set forth in the Indenture.

6. Mandatory Redemption

The Issuers shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

7. Notice of Redemption

Notice of redemption will be delivered at least 30 days but not more than 60 days before the redemption date to each holder of Notes to be redeemed at his, her or its registered address. Notes in denominations larger than \$2,000 may be redeemed in part but only in whole multiples of \$1,000. If money sufficient to pay the redemption price of and accrued and unpaid interest on all Notes (or portions thereof) to be redeemed on the redemption date is deposited with a Paying Agent on or before the redemption date and certain other conditions are satisfied, on and after such date, interest ceases to accrue on such Notes (or such portions thereof) called for redemption.

8. Repurchase of Notes at the Option of the Holders upon Change of Control, Specified Restricted Payments and Asset Sales

Upon the occurrence of a Change of Control, each holder shall have the right, subject to certain conditions specified in the Indenture, to cause the Issuers to repurchase all or any part of such holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof, *plus* accrued and unpaid interest, if any, to the date of repurchase (subject to the right of the holders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date), as provided in, and subject to the terms of, the Indenture.

In accordance with Section 4.06 of the Indenture, the Issuers will be required to offer to purchase Notes upon the occurrence of certain events.

Upon a Specified Restricted Payment, the Issuers will be required to make an offer to repurchase an aggregate amount of Notes at least equal to the Specified Amount at a purchase price in cash equal to 103% of the principal amount thereof, *plus* accrued and unpaid interest, if any, to the date of repurchase (subject to the right of the holders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date), subject to certain conditions specified in the Indenture, as provided in, and subject to the terms of, the Indenture.

9. Ranking and Collateral

These Notes and any Note Guarantee by a Subsidiary Guarantor will be secured by a security interest in the Collateral pursuant to certain Security Documents. The First Priority Liens upon any and all Collateral are, to the extent and in the manner provided in any First Lien Intercreditor Agreement, equal in ranking with all present and future First Priority Liens and, as set forth in any Second Lien Intercreditor Agreement, will be senior in ranking to all present and future Liens securing Junior Lien Obligations.

10. Denominations; Transfer; Exchange

The Notes are in registered form, without coupons, in denominations of \$2,000 and any integral multiple of \$1,000. A holder shall register the transfer of or exchange of Notes in accordance with the Indenture. Upon any registration of transfer or exchange, the Registrar and the Trustee may require a holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes required by law or permitted by the Indenture. The Registrar need not register the transfer of or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or to transfer or exchange any Notes for a period of 15 days prior to a selection of Notes to be redeemed.

11. Persons Deemed Owners

The registered holder of this Note shall be treated as the owner of it for all purposes.

12. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee and a Paying Agent shall pay the money back to the Issuers at their written request unless an abandoned property law designates another Person. After any such payment, the holders entitled to the money must look to the Issuers for payment as general creditors and the Trustee and a Paying Agent shall have no further liability with respect to such monies.

13. Discharge and Defeasance

Subject to certain conditions, the Issuers at any time may terminate some of or all its obligations under the Notes and the Indenture if the Issuers deposit with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Notes to redemption or maturity, as the case may be.

14. Amendment; Waiver

Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Notes may be amended with the written consent of the holders of at least a majority in aggregate principal amount of the outstanding Notes and (ii) any past default or compliance with any provisions may be waived with the written consent of the holders of at least a majority in principal amount of the outstanding Notes. Subject to certain exceptions set forth in the Indenture, without the consent of any holder, the Issuers and the Trustee may amend the Indenture, the Security Documents, any First Lien Intercreditor Agreement or any Second Lien Intercreditor Agreement (i) to cure any ambiguity, omission, mistake, defect or inconsistency; (ii) to provide for the assumption by a Successor Company of the obligations of the Company under the Indenture and the Notes; (iii) to add a Subsidiary Guarantor with respect to the Notes pursuant to Section 4.12 of the Indenture; (iv) to provide for uncertificated Notes in addition to or in place of certificated Notes; *provided, however*, that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code; (v) to conform the text of the Indenture, the Notes, the Security Documents, any First Lien Intercreditor Agreement or any Second Lien Intercreditor Agreement to any provision of the “Description of Notes” in the Offering Memorandum to the extent that such provision in the “Description of Notes” was intended to be a verbatim recitation of a provision of the Indenture, the Notes, the Security Documents, any First Lien Intercreditor Agreement or any Second Lien Intercreditor Agreement; (vi) to add Collateral to secure the Notes; (vii) to release or subordinate Collateral as permitted by the Indenture or any First Lien Intercreditor Agreement; (viii) to add additional secured creditors holding Other First Priority Lien Obligations or other Second Priority Lien Obligations (and, in such case, the Issuers and Trustee may execute any First Lien Intercreditor Agreement or any Second Lien Intercreditor Agreement in connection therewith) so long as such obligations are not prohibited by the Indenture or the Security Documents; (ix) to secure any Other First Priority Lien Obligations or Second Priority Lien Obligations under the Security Documents in the case of any First Lien Intercreditor Agreement or any Second Lien Intercreditor Agreement, in order to subject the security interests in the Collateral in respect of any Other First Priority Lien Obligations or Second Priority Lien Obligations to the terms of any First Lien Intercreditor Agreement or any Second Lien Intercreditor Agreement, in each case to the extent the Incurrence of such Indebtedness, and the grant of all Liens on the Collateral held for the benefit of such Indebtedness were permitted under this Indenture, (x) to conform to the text of the Indenture, the Notes, the Security Documents, any First Lien Intercreditor Agreement or any Second Lien Intercreditor Agreement or any other such documents and instruments (in recordable form) as may be necessary or advisable to preserve and confirm the relative priorities of the first lien documents and second lien documents as such priorities are contemplated by and set forth any First Lien Intercreditor Agreement or Second Lien Intercreditor Agreement, (xi) to add to the

covenants of the Company for the benefit of the holders or to surrender any right or power conferred upon the Company by the Indenture; (xii) to comply with any requirement of the SEC in connection with qualifying or maintaining the qualification of, the Indenture under the TIA; (xiii) to make any change that does not adversely affect the rights of any holder; or (xiv) to provide for the issuance of the Additional Notes, which shall have terms substantially identical in all material respects to the Initial Notes, and which shall be treated, together with any outstanding Initial Notes, as a single issue of securities.

15. Defaults and Remedies

If an Event of Default occurs (other than an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of the Company) and is continuing, the Trustee or the holders of at least 30% in principal amount of the outstanding Notes, in each case, by notice to the Company, may declare the principal of, premium, if any, and accrued but unpaid interest on all the Notes to be due and payable. If an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of the Company occurs, the principal of, premium, if any, and interest on all the Notes shall become immediately due and payable without any declaration or other act on the part of the Trustee or any holders. Under certain circumstances, the holders of a majority in principal amount of the outstanding Notes may rescind any such acceleration with respect to the Notes and its consequences.

If an Event of Default occurs and is continuing, the Trustee shall be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the holders unless such holders have offered to the Trustee reasonable indemnity or security against any loss, liability or expense and certain other conditions are complied with. Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no holder may pursue any remedy with respect to the Indenture or the Notes unless (i) such holder has previously given the Trustee notice that an Event of Default is continuing, (ii) the holders of at least 30% in principal amount of the outstanding Notes have requested the Trustee in writing to pursue the remedy, (iii) such holders have offered the Trustee reasonable security or indemnity against any loss, liability or expense, (iv) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity and (v) the holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period. Subject to certain restrictions, the holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee shall be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

16. Trustee Dealings with the Issuers

Subject to certain limitations imposed by the TIA, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Issuers or their Affiliates and may otherwise deal with the Issuers or their Affiliates with the same rights it would have if it were not Trustee.

17. No Recourse Against Others

No director, officer, employee, incorporator or holder of any equity interests in the Issuers or of any Guarantor or any direct or indirect parent corporation, as such, shall have any liability for any obligations of the Issuers or any Guarantor under the Notes, the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability.

18. Authentication

This Note shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Note.

19. Abbreviations

Customary abbreviations may be used in the name of a holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

20. Governing Law

THIS SECURITY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

21. CUSIP Numbers; ISINs

The Issuers have caused CUSIP numbers and ISINs to be printed on the Notes and has directed the Trustee to use CUSIP numbers and ISINs in notices of redemption as a convenience to the holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Issuers will furnish to any holder of Notes upon written request and without charge to the holder a copy of the Indenture which has in it the text of this Note.

ASSIGNMENT FORM

To assign this Note, fill in the form below:

I or we assign and transfer this Note to:

(Print or type assignee's name, address and zip code)

(Insert assignee's soc. sec. or tax I.D. No.)

and irrevocably appoint agent to transfer this Note on the books of the Issuer. The agent may substitute another to act for him.

Date: _____

Your Signature: _____

Sign exactly as your name appears on the other side of this Note.

Signature Guarantee:

Date: _____

Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor program reasonably acceptable to the Trustee

Signature of Signature Guarantee

CERTIFICATE TO BE DELIVERED UPON EXCHANGE OR
REGISTRATION OF TRANSFER RESTRICTED SECURITIES

This certificate relates to \$ principal amount of Notes held in (check applicable space) book-entry or definitive form by the undersigned.

The undersigned (check one box below):

- ☐ has requested the Trustee by written order to deliver in exchange for its beneficial interest in the Global Note held by the Depository a Note or Notes in definitive, registered form of authorized denominations and an aggregate principal amount equal to its beneficial interest in such Global Note (or the portion thereof indicated above);
- ☐ has requested the Trustee by written order to exchange or register the transfer of a Note or Notes.

In connection with any transfer of any of the Notes evidenced by this certificate occurring while this Note is still a Transfer Restricted Definitive Note or a Transfer Restricted Global Note, the undersigned confirms that such Notes are being transferred in accordance with its terms:

CHECK ONE BOX BELOW

- (1) ☐ to an Issuer; or
- (2) ☐ to the Registrar for registration in the name of the holder, without transfer; or
- (3) ☐ pursuant to an effective registration statement under the Securities Act of 1933; or
- (4) ☐ inside the United States to a “qualified institutional buyer” (as defined in Rule 144A under the Securities Act of 1933) that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that such transfer is being made in reliance on Rule 144A, in each case pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or
- (5) ☐ outside the United States in an offshore transaction within the meaning of Regulation S under the Securities Act in compliance with Rule 904 under the Securities Act of 1933 and such Note shall be held immediately after the transfer through Euroclear or Clearstream until the expiration of the Restricted Period (as defined in the Indenture); or
- (6) ☐ to an institutional “accredited investor” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933) that has furnished to the Trustee a signed letter containing certain representations and agreements; or
- (7) ☐ pursuant to another available exemption from registration provided by Rule 144 under the Securities Act of 1933.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Notes evidenced by this certificate in the name of any Person other than the registered holder

thereof; *provided, however*, that if box (5), (6) or (7) is checked, the Issuers or the Trustee may require, prior to registering any such transfer of the Notes, such legal opinions, certifications and other information as the Issuers or the Trustee have reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933.

Date: _____ Your Signature: _____

Sign exactly as your name appears on the other side of this Note.

Signature Guarantee:

Date: _____	_____
Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor program reasonably acceptable to the Trustee	Signature of Signature Guarantee

TO BE COMPLETED BY PURCHASER IF (4) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Note for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a “qualified institutional buyer” within the meaning of Rule 144A under the Securities Act of 1933, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Issuers as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned’s foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Date: _____

NOTICE: To be executed by an executive officer

[[TO BE ATTACHED TO GLOBAL SECURITIES] SCHEDULE OF INCREASES OR DECREASES IN GLOBAL SECURITY

The initial principal amount of this Global Note is \$[]. The following increases or decreases in this Global Note have been made:

<u>Date of Exchange</u>	<u>Amount of decrease in Principal Amount of this Global Note</u>	<u>Amount of increase in Principal Amount of this Global Note</u>	<u>Principal amount of this Global Note following such decrease or increase</u>	<u>Signature of authorized signatory of Trustee or Notes Custodian</u>
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OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Issuers pursuant to Section 4.06 (Asset Sale) 4.08 (Change of Control) or 4.09 (Certain Specified Restricted Payment of the Indenture, check the box:

Asset Sale ☐ Change of Control ☐ Specified Restricted Payment ☐

If you want to elect to have only part of this Note purchased by the Issuer pursuant to Section 4.06 (Asset Sale), 4.08 (Change of Control) or 4.09 (Certain Specified Restricted Payments) of the Indenture, state the amount (\$2,000 or any integral multiple of \$1,000):

\$

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee: _____
Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor program reasonably acceptable to the Trustee

[FORM OF]

TRANSFeree LETTER OF REPRESENTATION

Chester Downs and Marina, LLC
Chester Downs Finance Corp.
c/o U.S. Bank National Association
Corporate Trust Services
EP-MN-W53C
60 Livingston Avenue
St. Paul, Minnesota 55107-1419
Attention: Vice President

Ladies and Gentlemen:

This certificate is delivered to request a transfer of \$[] principal amount of the 9.25% Senior Secured Notes due 2020 (the “Notes”) of Chester Downs and Marina, LLC and Chester Downs Finance Corp. (together, the “Issuers”).

Upon transfer, the Notes would be registered in the name of the new beneficial owner as follows:

Name: _____

Address: _____

Taxpayer ID Number: _____

The undersigned represents and warrants to you that:

1. We are an institutional “accredited investor” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended (the “Securities Act”)), purchasing for our own account or for the account of such an institutional “accredited investor” at least \$100,000 principal amount of the Notes, and we are acquiring the Notes not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act. We have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Notes, and we invest in or purchase securities similar to the Notes in the normal course of our business. We, and any accounts for which we are acting, are each able to bear the economic risk of our or its investment.

2. We understand that the Notes have not been registered under the Securities Act and, unless so registered, may not be sold except as permitted in the following sentence. We agree on our own behalf and on behalf of any investor account for which we are purchasing Notes to offer, sell or otherwise transfer such Notes prior to the date that is two years after the later of the date of original issue and the last date on which either the Issuers or any affiliate of such Issuers was the owner of such Notes (or any predecessor thereto) (the “Resale Restriction Termination Date”) only (a) in the United States to a person whom we reasonably believe is a qualified institutional buyer (as defined in rule 144A under the Securities Act) in a

transaction meeting the requirements of Rule 144A, (b) outside the United States in an offshore transaction in accordance with Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if applicable) or (d) pursuant to an effective registration statement under the Securities Act, in each of cases (a) through (d) in accordance with any applicable securities laws of any state of the United States. In addition, we will, and each subsequent holder is required to, notify any purchaser of the Note evidenced hereby of the resale restrictions set forth above. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. If any resale or other transfer of the Notes is proposed to be made to an institutional “accredited investor” prior to the Resale Restriction Termination Date, the transferor shall deliver a letter from the transferee substantially in the form of this letter to the Issuer and the Trustee, which shall provide, among other things, that the transferee is an institutional “accredited investor” within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act and that it is acquiring such Notes for investment purposes and not for distribution in violation of the Securities Act. Each purchaser acknowledges that the Issuer and the Trustee reserve the right prior to the offer, sale or other transfer prior to the Resale Restriction Termination Date of the Notes pursuant to clause 1(b), 1(c) or 1(d) above to require the delivery of an opinion of counsel, certifications or other information satisfactory to the Issuer and the Trustee.

Dated: _____

TRANSFeree: _____,

By: _____

[FORM OF SUPPLEMENTAL INDENTURE]

SUPPLEMENTAL INDENTURE (this “Supplemental Indenture”) dated as of [], among [GUARANTOR] (the “New Guarantor”), a subsidiary of CHESTER DOWNS AND MARINA, LLC (or its successor), a Delaware limited liability company and CHESTER DOWNS FINANCE CORP. (or its successor), a Delaware corporation (together, the “Issuers”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

W I T N E S S E T H :

WHEREAS the Issuers have heretofore executed and delivered to the Trustee an indenture (as amended, supplemented or otherwise modified, the “Indenture”) dated as of February 3, 2012, providing for the issuance of the Issuers’ Senior Secured Notes due 2020 (the “Notes”), initially in the aggregate principal amount of \$330,000,000;

WHEREAS Section 4.12 of the Indenture provides that under certain circumstances the Issuers are required to cause the New Guarantor to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Guarantor shall unconditionally guarantee all the Issuers’ Obligations under the Notes and the Indenture pursuant to a Note Guarantee on the terms and conditions set forth herein; and

WHEREAS pursuant to Section 9.01 of the Indenture, the Trustee, the Issuers and other existing Subsidiary Guarantors, if any, are authorized to execute and deliver this Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Issuers and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. Defined Terms. As used in this Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined, except that the term “holders” in this Supplemental Indenture shall refer to the term “holders” as defined in the Indenture and the Trustee acting on behalf of and for the benefit of such holders. The words “herein,” “hereof” and “hereby” and other words of similar import used in this Supplemental Indenture refer to this Supplemental Indenture as a whole and not to any particular section hereof.

2. Agreement to Guarantee. The New Guarantor hereby agrees, jointly and severally with all existing guarantors (if any), to unconditionally guarantee the Issuers’ Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article XII of the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes and to perform all of the obligations and agreements of a guarantor under the Indenture.

3. Notices. All notices or other communications to the New Guarantor shall be given as provided in Section 13.02 of the Indenture.

4. Ratification of Indenture; Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. Governing Law. **THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.**

6. Trustee Makes No Representation. The Trustee makes no representation as to the validity or sufficiency of this Supplemental Indenture.

7. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

8. Effect of Headings. The Section headings herein are for convenience only and shall not effect the construction thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first above written.

[NEW GUARANTOR]

By: _____
Name:
Title:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Name:
Title:

[FORM OF NONQUALIFIED OPTION AWARD AGREEMENT]

**CAESARS ENTERTAINMENT CORPORATION
2012 PERFORMANCE INCENTIVE PLAN
NONQUALIFIED OPTION AWARD AGREEMENT**

THIS NONQUALIFIED OPTION AWARD AGREEMENT (the “Agreement”) is made by and between Caesars Entertainment Corporation, a Delaware corporation (the “Corporation”), and the “Participant” on the date set forth on the final page of this Agreement. Any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan.

WHEREAS, the Corporation has adopted the Caesars Entertainment Corporation 2012 Performance Incentive Plan (the “Plan”), pursuant to which Options may be granted; and

WHEREAS, the Administrator has determined that it is in the best interests of the Corporation and its stockholders to grant the Option provided for herein to Participant subject to the terms set forth herein.

NOW, THEREFORE, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of Option.

(a) Grant. The Corporation hereby grants to Participant, on the Date of Grant (as set forth on the final page of this Agreement) an Option (the “Option”) to purchase the number of shares of Common Stock of the Corporation set forth on the final page of this Agreement (such shares, the “Option Shares”), on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan. The Option is not intended to qualify as an ISO. The price at which Participant shall be entitled to purchase the Option Shares upon the exercise of all or any portion of the Option, shall be as set forth on the final page of this Agreement (the “Exercise Price”).

(b) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any interpretations, amendments, rules and regulations promulgated by the Administrator from time to time pursuant to the Plan. The Administrator shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations under them, and its decisions shall be binding and conclusive upon Participant and his or her legal representative in respect of any questions arising under the Plan or this Agreement.

(c) Acceptance of Agreement. In order to accept this Agreement, Participant must indicate acceptance of the Option and acknowledgment that the terms of the Plan and this Agreement have been read and understood by signing and returning a copy of this Agreement as instructed by the Company. By accepting this Agreement, Participant consents to the electronic delivery of prospectuses, annual reports and other information required to be delivered by Securities and Exchange Commission rules (which consent may be revoked in writing by Participant at any time upon three business days’ notice to the Corporation, in which case subsequent prospectuses, annual reports and other information will be delivered in hard copy to Participant).

2. Vesting. Except as may otherwise be provided herein, subject to Participant's continued employment with the Corporation or one of its Subsidiaries, the Option shall become vested and exercisable on the dates set forth on the final page of this Agreement, subject to the conditions set forth herein.

3. Termination of Employment. Except as otherwise provided in an employment agreement (or similar agreement) between Participant and the Corporation or any of its Subsidiaries in effect on the Date of Grant, if Participant's employment or service with the Corporation or any Subsidiary, as applicable, terminates for any reason, then (i) the unvested portion of the Option shall be cancelled immediately and Participant shall immediately forfeit any rights to the Option Shares subject to such unvested portion, (ii) the vested portion of the Option shall be forfeited under the circumstances described in the Plan, and (iii) the vested portion of the Option that is not forfeited shall remain outstanding and exercisable until the date of expiration as set forth in Section 4 below.

4. Expiration. In no event shall all or any portion of the Option be exercisable after the tenth anniversary of the Date of Grant (the "Option Period"), and if, prior to the end of the Option Period, Participant's employment or service with the Corporation and all Subsidiaries is terminated for any reason then the Option shall expire on the date set forth in the Plan.

5. Method of Exercise.

(a) Options which have become exercisable may be exercised by delivery of a duly executed written notice of exercise to the Corporation at its principal business office using such form(s) as may be required from time to time by the Corporation.

(b) No Option Shares shall be delivered pursuant to any exercise of the Option until payment in full of the Exercise Price therefor is received by the Corporation in accordance with Section 5.5 of the Plan and Participant has paid to the Corporation an amount equal to any federal, state, local and non-U.S. income and employment taxes required to be withheld in accordance with Section 8.5 of the Plan.

6. Rights as a Stockholder. Participant shall not be deemed for any purpose to be the owner of any shares subject to this Option unless, until and to the extent that (i) the Corporation shall have issued and delivered to Participant the Option Shares, and (ii) Participant's name shall have been entered as a stockholder of record with respect to such Option Shares on the books of the Corporation.

7. Compliance with Legal Requirements.

(a) Generally. The granting, vesting and exercising of the Option, delivery of Option Shares upon such exercise, and any other obligations of the Corporation under this Agreement, shall be subject to all applicable federal, provincial, state, local and foreign laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. The Administrator shall have the right to impose such restrictions on the Option as it deems necessary or advisable under applicable federal securities laws, the rules and regulations of any stock exchange or market upon which Shares are then listed or traded, and/or any blue sky or state securities laws applicable to such Shares. Participant agrees to take all steps the Administrator or the Corporation determines are necessary to comply with all applicable provisions of federal and state securities law in exercising his or her rights under this Agreement.

(b) Tax Withholding. The exercise of the Option (or any portion thereof) shall be subject to Participant satisfying any applicable federal, state, local and foreign tax withholding obligations. The

Corporation shall have the power and the right to require Participant to remit to the Company or deduct or withhold from all amounts payable to Participant in connection with the Option or otherwise, an amount sufficient to satisfy any applicable taxes required by law. Further, the Corporation may permit or require Participant to satisfy, in whole or in part, the tax obligations by withholding Shares that would otherwise be received upon exercise of the Option.

8. Miscellaneous.

(a) Transferability. The Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant other than by will or by the laws of descent and distribution, pursuant to a qualified domestic relations order if approved or ratified by the Administrator or as otherwise permitted under Section 5.7.2 or 5.7.3 of the Plan.

(b) Waiver. Any right of the Corporation contained in this Agreement may be waived in writing by the Administrator. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

(c) Section 409A. The Option is not intended to be subject to Section 409A of the Code. Notwithstanding the foregoing or any provision of the Plan or this Agreement, if any provision of the Plan or this Agreement contravenes Section 409A of the Code or could cause Participant to incur any tax, interest or penalties under Section 409A of the Code, the Administrator may, in its sole discretion and without Participant's consent, modify such provision to (i) comply with, or avoid being subject to, Section 409A of the Code, or to avoid the incurrence of taxes, interest and penalties under Section 409A of the Code, and/or (ii) maintain, to the maximum extent practicable, the original intent and economic benefit to Participant of the applicable provision without materially increasing the cost to the Corporation or contravening the provisions of Section 409A of the Code. This Section 8(c) does not create an obligation on the part of the Corporation to modify the Plan or this Agreement and does not guarantee that the Option or the Option Shares will not be subject to interest and penalties under Section 409A.

(d) Notices. Any written notices provided for in this Agreement or the Plan shall be in writing and shall be deemed sufficiently given if either hand delivered or if sent by fax, pdf/email or overnight courier, or by postage paid first class mail. Notices sent by mail shall be deemed received three business days after mailing but in no event later than the date of actual receipt. Notices shall be directed, if to Participant, at Participant's address indicated by the Corporation's records, or if to the Corporation, to the Corporation's principal business office.

(e) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(f) No Rights to Employment. Nothing contained in this Agreement shall be construed as giving Participant any right to be retained, in any position, as an employee or consultant of the Corporation or its Subsidiaries or shall interfere with or restrict in any way the right of the Corporation or its Subsidiaries, which are hereby expressly reserved, to remove, terminate or discharge Participant at any time for any reason whatsoever.

(g) No Rights to Award. The grant to Participant of the Option pursuant to this Agreement shall not give Participant any claim or rights to be granted any future award or additional awards under the Plan, subject to any express contractual rights (set forth in a document other than the Plan and this Agreement) to the contrary.

(h) Fractional Shares. No fractional shares shall be delivered under this Agreement. In lieu of issuing a fraction of a share in settlement of the exercised Option, the Corporation shall be entitled to pay to Participant an amount in cash equal to the fair market value (as defined in the Plan) of such fractional share.

(i) Beneficiary. Participant may file with the Administrator a written designation of a beneficiary on such form as may be prescribed by the Administrator and may, from time to time, amend or revoke such designation. If no validly designated beneficiary survives Participant, Participant's estate shall be deemed to be Participant's beneficiary.

(j) Bound by Plan. By signing this Agreement, Participant acknowledges that Participant has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(k) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Corporation and its successors and assigns, and of Participant and the beneficiaries, executors, administrators, heirs and successors of Participant.

(l) Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto. No change, modification or waiver of any provision of this Agreement shall be valid unless the same be in writing and signed by the parties hereto, except for any changes permitted without consent under Section 8.6.4 of the Plan.

(m) Governing Law. This Agreement shall be governed, construed and interpreted in accordance with the laws of the State of Delaware without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction which could cause the application of the laws of any jurisdiction other than the State of Delaware.

(n) Captions. The captions and headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

IN WITNESS WHEREOF, the Corporation and Participant have executed this Agreement as set forth below.

CAESARS ENTERTAINMENT CORPORATION

By: _____
Name: _____
Title: _____

Agreed to and Accepted by:

The Participant:

Date: _____

Number of Shares subject to Option: []

Exercise Price for Option: \$[] per Share

Date of Grant []

Vesting Schedule: []

CAESARS ENTERTAINMENT CORPORATION
COMPUTATION OF RATIOS
(Unaudited)
(In millions, except ratio amounts)

	Successor				Predecessor	
	2011 ^(a)	2010 ^(b)	2009 ^(c)	Jan. 28, 2008 through Dec. 31, 2008 ^(d)	Jan. 1, 2008 through Jan. 27, 2008 ^(e)	2007 ^(f)
Ratio of Earnings to Fixed Charges (g)						
(Loss)/income from continuing operations before income taxes	\$ (1,173.6)	\$ (1,292.0)	\$ 2,498.2	\$ (5,535.1)	\$ (125.4)	\$ 892.5
Add:						
Fixed charges, excluding interest capitalized	2,180.6	2,036.9	1,930.2	2,114.6	93.3	843.4
Amortization of interest capitalized	8.8	9.1	5.6	1.4	0.5	5.7
Losses/(income) from equity in non-consolidated affiliates	7.9	1.5	2.2	2.1	(0.5)	(3.9)
Non-controlling interests that have not incurred fixed charges	2.0	0.2	2.7	0.5	0.1	(1.2)
Distributed income from equity investees	1.9	1.7	2.2	2.5	0.1	1.8
Earnings as defined	<u>\$ 1,027.6</u>	<u>\$ 757.4</u>	<u>\$ 4,441.1</u>	<u>\$ (3,414.0)</u>	<u>\$ (31.9)</u>	<u>\$ 1,738.3</u>
Fixed charges:						
Interest expense, net of interest capitalized	\$ 2,122.3	\$ 1,981.6	\$ 1,892.5	\$ 2,074.9	\$ 89.7	\$ 800.8
Interest capitalized	22.8	1.4	32.4	53.3	2.7	20.4
Interest included in rental expense	58.3	55.3	37.7	39.7	3.6	42.6
Total fixed charges	<u>\$ 2,203.4</u>	<u>\$ 2,038.3</u>	<u>\$ 1,962.6</u>	<u>\$ 2,167.9</u>	<u>\$ 96.0</u>	<u>\$ 863.8</u>
Ratio of earnings to fixed charges	<u>—</u>	<u>—</u>	<u>2.3</u>	<u>—</u>	<u>—</u>	<u>2.0</u>

- ^(a) The full year results of 2011 include \$47.9 million in pre-tax gains on early extinguishments of debt, \$11.0 million in pre-tax charges for impairment of goodwill and other non-amortizing intangible assets and \$96.0 million in net pre-tax charges for write-downs, reserves, recoveries, and project opening costs.
- ^(b) The full year results of 2010 include \$115.6 million in pre-tax gains on early extinguishments of debt, \$193.0 million in pre-tax charges for impairment of goodwill and other non-amortizing intangible assets and \$149.7 million in net pre-tax charges for write-downs, reserves, recoveries, and project opening costs.
- ^(c) The full year results of 2009 include \$4,965.5 million in pretax in pre-tax gains on early extinguishments of debt, \$1,638.0 million in pre-tax charges for impairment of goodwill and other non-amortizing intangible assets and \$111.5 million in net pre-tax charges for write-downs, reserves, recoveries, and project opening costs.
- ^(d) The Successor period of 2008 includes \$5,489.6 million in pretax charges for impairment of goodwill and other non-amortizing intangible assets, \$742.1 million in pretax gains on early extinguishment of debt, \$24.0 million in pretax charges related to the sale of the Company, and \$45.1 million in net pretax charges for write-downs, reserves, recoveries, and project opening costs.
- ^(e) The Predecessor period of 2008 includes \$5.4 million in net pretax charges for write-downs, reserves, recoveries, and project opening costs and \$125.6 million in pretax charges related to the sale of the Company.
- ^(f) The full year results of 2007 includes \$34.4 million in net pretax credits for write-downs, reserves, recoveries, and project opening costs and \$13.4 million in pretax charges related to the proposed sale of the Company. The 2007 results also include the financial results of Bill's Gamblin' Hall & Saloon from its February 27, 2007 date of acquisition and Macau Orient Golf from its September 12, 2007 date of acquisition.

(g)

For purposes of computing this ratio, “earnings” consist of income before income taxes plus fixed charges (excluding capitalized interest), excluding equity in undistributed earnings of less-than-50%-owned investments. “Fixed charges” include interest whether expensed or capitalized, amortization of debt expense, discount or premium related to indebtedness and such portion of rental expense that we deem to be representative of interest. As required by the rules which govern the computation of this ratio, both earnings and fixed charges are adjusted where appropriate to include the financial results for the Company’s nonconsolidated majority-owned subsidiaries. For the years ended December 31, 2011, December 31, 2010, the Successor period from January 28, 2008 through December 31, 2008, and the Predecessor period from January 1, 2008 through January 27, 2008 our earnings were insufficient to cover fixed charges by \$1,175.8 million, \$1,280.9 million, \$5,581.9 million, \$127.9 million, respectively.

CAESARS ENTERTAINMENT CORPORATION
LIST OF SUBSIDIARIES
As of March 2, 2012

<u>Name</u>	<u>Jurisdiction of Incorporation</u>	<u>Percentage of Ownership</u>
Aster Insurance Ltd.	Bermuda	100%
Harrah's BC, Inc.	Delaware	100%
Romulus Risk and Insurance Company, Inc.	Nevada	100%
HAC CMBS Manager, LLC	New Jersey	100%
Harrah's Atlantic City Holding, Inc.	New Jersey	100%
Harrah's Atlantic City Operating Company, LLC	New Jersey	100%
Harrah's Atlantic City Mezz 9, LLC	Delaware	100%
Harrah's Atlantic City Mezz 8, LLC	Delaware	100%
Harrah's Atlantic City Mezz 7, LLC	Delaware	100%
Harrah's Atlantic City Mezz 6, LLC	Delaware	100%
Harrah's Atlantic City Mezz 5, LLC	Delaware	100%
Harrah's Atlantic City Mezz 4, LLC	Delaware	100%
Harrah's Atlantic City Mezz 3, LLC	Delaware	100%
Harrah's Atlantic City Mezz 2, LLC	Delaware	100%
Harrah's Atlantic City Mezz 1, LLC	Delaware	100%
Harrah's Atlantic City Propco, LLC	Delaware	100%
Atlantic City Express Services, LLC ¹	New Jersey	33.33%
HLV CMBS Manager, LLC	Nevada	100%
Harrah's Las Vegas, LLC	Nevada	100%
Harrah's Las Vegas Mezz 9, LLC	Delaware	100%
Harrah's Las Vegas Mezz 8, LLC	Delaware	100%
Harrah's Las Vegas Mezz 7, LLC	Delaware	100%
Harrah's Las Vegas Mezz 6, LLC	Delaware	100%
Harrah's Las Vegas Mezz 5, LLC	Delaware	100%
Harrah's Las Vegas Mezz 4, LLC	Delaware	100%
Harrah's Las Vegas Mezz 3, LLC	Delaware	100%
Harrah's Las Vegas Mezz 2, LLC	Delaware	100%
Harrah's Las Vegas Mezz 1, LLC	Delaware	100%
Harrah's Las Vegas Propco, LLC	Delaware	100%
Laughlin CMBS Manager, LLC	Nevada	100%
Harrah's Laughlin, LLC	Nevada	100%
Harrah's Laughlin Mezz 9, LLC	Delaware	100%
Harrah's Laughlin Mezz 8, LLC	Delaware	100%
Harrah's Laughlin Mezz 7, LLC	Delaware	100%
Harrah's Laughlin Mezz 6, LLC	Delaware	100%
Harrah's Laughlin Mezz 5, LLC	Delaware	100%
Harrah's Laughlin Mezz 4, LLC	Delaware	100%
Harrah's Laughlin Mezz 3, LLC	Delaware	100%
Harrah's Laughlin Mezz 2, LLC	Delaware	100%
Harrah's Laughlin Mezz 1, LLC	Delaware	100%
Harrah's Laughlin Propco, LLC	Delaware	100%
Rio CMBS Manager, LLC	Nevada	100%
Rio Properties, LLC	Nevada	100%
Rio Mezz 9, LLC	Delaware	100%
Rio Mezz 8, LLC	Delaware	100%
Rio Mezz 7, LLC	Delaware	100%
Rio Mezz 6, LLC	Delaware	100%
Rio Mezz 5, LLC	Delaware	100%
Rio Mezz 4, LLC	Delaware	100%
Rio Mezz 3, LLC	Delaware	100%
Rio Mezz 2, LLC	Delaware	100%
Rio Mezz 1, LLC	Delaware	100%
Rio Propco, LLC	Delaware	100%
Rio Property Holding, LLC	Nevada	100%
Cinderlane, Inc.	Nevada	100%
Twain Avenue, Inc.	Nevada	100%

1 33.33% Boardwalk Regency Corporation; 33.33% Harrah's Atlantic City Holding, Inc.; [33.33% non-affiliate]

<u>Name</u>	<u>Jurisdiction of Incorporation</u>	<u>Percentage of Ownership</u>
Flamingo CMBS Manager, LLC	Nevada	100%
Flamingo Las Vegas Holding, LLC	Nevada	100%
Flamingo Las Vegas Operating Company, LLC	Nevada	100%
MP Flamingo, LLC ²	Nevada	50%
Flamingo Las Vegas Mezz 9, LLC	Delaware	100%
Flamingo Las Vegas Mezz 8, LLC	Delaware	100%
Flamingo Las Vegas Mezz 7 LLC	Delaware	100%
Flamingo Las Vegas Mezz 6, LLC	Delaware	100%
Flamingo Las Vegas Mezz 5, LLC	Delaware	100%
Flamingo Las Vegas Mezz 4 LLC	Delaware	100%
Flamingo Las Vegas Mezz 3, LLC	Delaware	100%
Flamingo Las Vegas Mezz 2, LLC	Delaware	100%
Flamingo Las Vegas Mezz 1, LLC	Delaware	100%
Flamingo Las Vegas Propco, LLC	Delaware	100%
Paris CMBS Manager, LLC	Nevada	100%
Paris Las Vegas Holding, LLC	Nevada	100%
Paris Las Vegas Operating Company, LLC	Nevada	100%
Paris Las Vegas Mezz 9, LLC	Delaware	100%
Paris Las Vegas Mezz 8, LLC	Delaware	100%
Paris Las Vegas Mezz 7, LLC	Delaware	100%
Paris Las Vegas Mezz 6, LLC	Delaware	100%
Paris Las Vegas Mezz 5, LLC	Delaware	100%
Paris Las Vegas Mezz 4, LLC	Delaware	100%
Paris Las Vegas Mezz 3, LLC	Delaware	100%
Paris Las Vegas Mezz 2, LLC	Delaware	100%
Paris Las Vegas Mezz 1, LLC	Delaware	100%
Paris Las Vegas Propco, LLC	Delaware	100%
London Clubs South Africa Limited	England/Wales	100%
HIE Holdings, Inc. ³	Delaware	100%
Caesars Interactive Entertainment, Inc. ⁴	Delaware	96.4%
Caesars Interactive Entertainment (Canada), Inc.	Canada	100%
Caesars Interactive Entertainment (UK), Ltd.	England/Wales	100%
Caesars Interactive Entertainment Israel Ltd.	Israel	100%
Playtika, Ltd.	Israel	100%
Playtika Ukraine, LLC	Ukraine	100%
Double Deuce Studios, LLC	Delaware	100%
Caesars Tournament, LLC	Delaware	100%
Caesars Europe Development, LLC	Delaware	100%
Caesars Entertainment Operating Company, Inc.	Delaware	100%
HIE Holdings Topco, Inc.	Delaware	100%
190 Flamingo, LLC	Nevada	100%

AJP Parent, LLC	Delaware	100%
AJP Holdings, LLC	Delaware	100%
Durante Holdings, LLC	Nevada	100%
Caesars Massachusetts Acquisition Company, LLC	Delaware	100%
Caesars Massachusetts Development Company, LLC	Delaware	100%
Caesars Massachusetts Investment Company, LLC	Delaware	100%
Sterling Suffolk Racecourse, LLC ⁵	Massachusetts	4.2%
Caesars Massachusetts Management Company, LLC	Delaware	100%
Caesars Ohio Acquisition, LLC	Delaware	100%
Caesars Ohio Investment, LLC	Delaware	100%
Rock Ohio Caesars, LLC ⁶	Delaware	20%
Rock Parent, LLC	Delaware	100%
ROC Finance, LLC	Delaware	100%
ROC Finance 1 Corp.	Delaware	100%
Rock Ohio Caesars Chase, LLC	Delaware	100%
Rock Ohio Caesars Hotel, LLC	Delaware	100%
Rock Ohio Caesars Cincinnati, LLC	Delaware	100%
RGFD, LLC	Michigan	100%
Rock Ohio Caesars Cleveland, LLC	Delaware	100%
Rock Gaming Cleveland Scranton Peninsula, LLC	Delaware	100%
NAL Ohio Holdings, LLC	Michigan	100%
2115-2121 Ontario Building, LLC	Ohio	100%
Rock Ohio Caesars Gateway, LLC	Delaware	100%
Horseshoe Cleveland Management, LLC	Delaware	100%
Horseshoe Cincinnati Management, LLC	Delaware	100%
Horseshoe Ohio Development, LLC	Delaware	100%
Caesars Baltimore Acquisition Company, LLC	Delaware	100%
Caesars Baltimore Development Company, LLC	Delaware	100%
Caesars Baltimore Management Company, LLC	Delaware	100%
Caesars Baltimore Investment Company, LLC	Delaware	100%
CR Baltimore Holdings, LLC ⁷	Delaware	58.51%
CBAC Gaming, LLC ⁸	Delaware	91.2%
Caesars Trex, Inc.	Delaware	100%
Christian County Land Acquisition Company, LLC	Delaware	100%
Corner Investment Company, LLC	Nevada	100%
DCH Exchange, LLC	Nevada	100%
DCH Lender, LLC	Nevada	100%
Dusty Corporation	Nevada	100%
Turfway Park, LLC ⁹	Delaware	50%
East Beach Development Corporation	Mississippi	100%
Harrah's Alabama Corporation	Nevada	100%
Harrah's Arizona Corporation	Nevada	100%
H-BAY, LLC	Nevada	100%
Harrah's Bossier City Management Company, LLC	Nevada	100%
HCAL, LLC	Nevada	100%

2 50% Flamingo Las Vegas Operating Company, LLC; [50% non-affiliate]
3 Caesars Entertainment Corporation owns 100% of the common stock and a portion of the preferred stock of HIE Holdings, Inc. HIE Holdings Topco, Inc.
owns the balance of the preferred stock of HIE Holdings, Inc.
4 96.4 % HIE Holdings, Inc.; 3.6% third parties
5 4.2% Caesars Massachusetts Investment Company, LLC; [95.8% non-affiliate]
6 20% Caesars Ohio Investment Company, LLC; [80% non-affiliate]
7 58.51% Caesars Baltimore Investment Company, LLC; [41.49% non-affiliate]
8 91.2 % CR Baltimore Holdings, LLC ; [4% and 4.8% by two non-affiliates]
9 50% Dusty Corporation, [50% non-affiliate]

<u>Name</u>	<u>Jurisdiction of Incorporation</u>	<u>Percentage of Ownership</u>
Harrah's Chester Downs Investment Company, LLC	Delaware	100%
Chester Facility Holding Company, LLC	Delaware	100%
Harrah's Chester Downs Management Company, LLC	Nevada	100%
Chester Downs and Marina LLC ¹⁰	Pennsylvania	99.5%
Chester Downs Finance Corp.	Delaware	100%
Harrah's Illinois Corporation	Nevada	100%
Des Plaines Development Limited Partnership ¹¹	Delaware	80%
Harrah's Imperial Palace Corp.	Nevada	100%
Harrah's Interactive Investment Company	Nevada	100%
Creator Capital Limited ¹²	Bermuda	7.5%
Harrah's Investments, Inc.	Nevada	100%
Harrah's Kansas Casino Corporation	Nevada	100%
Caesars License Company, LLC	Nevada	100%
Harrah's Management Company	Nevada	100%
Caesars Marketing Services Corporation	Nevada	100%
Caesars Canada Marketing Services Corporation	Canada	100%
Harrah's Maryland Heights Operating Company	Nevada	100%
Harrah's Maryland Heights, LLC ¹³	Delaware	54.45%
Harrah's MH Project, LLC	Delaware	100%
Harrah's NC Casino Company, LLC ¹⁴	North Carolina	99%
Harrah's New Orleans Management Company	Nevada	100%
Harrah's North Kansas City LLC	Missouri	100%
Thistledown Racetrack, LLC	Delaware	100%
Thistledown License Co., LLC	Delaware	100%
Harrah's Operating Company Memphis, LLC	Delaware	100%
Caesars Operating Escrow LLC	Delaware	100%
Caesars Escrow Corporation	Delaware	100%
Harrah's Pittsburgh Management Company	Nevada	100%
Harrah's Reno Holding Company, Inc.	Nevada	100%
Harrah's Shreveport/Bossier City Holding Company, LLC	Delaware	100%
Harrah's Shreveport Management Company, LLC	Nevada	100%
Harrah's Shreveport Investment Company, LLC	Nevada	100%
Harrah's Shreveport/Bossier City Investment Company, LLC ¹⁵	Delaware	84.3%
Harrah's Bossier City Investment Company, LLC	Louisiana	100%
LAD Hotel Partners, LLC ¹⁶	Louisiana	49%
Harrah's Southwest Michigan Casino Corporation	Nevada	100%
Harrah's Sumner Investment Company, LLC	Delaware	100%
Harrah's Sumner Management Company, LLC	Delaware	100%
Harrah's Travel, Inc.	Nevada	100%
Harrah's Tunica Corporation	Nevada	100%
Harrah's Vicksburg Corporation	Nevada	100%
Tunica Partners, LP ¹⁷	Mississippi	17%
Harrah's West Warwick Gaming Company, LLC	Delaware	100%
HHLV Management Company, LLC	Nevada	100%
Hole in the Wall, LLC	Nevada	100%
HTM Holding, Inc.	Nevada	100%
Harveys Tahoe Management Company, Inc.	Nevada	100%
Harrah South Shore Corporation	California	100%
Tahoe Garage Propco, LLC	Delaware	100%
JCC Holding Company II LLC	Delaware	100%

	Jazz Casino Company, LLC	Louisiana	100%
	JCC Fulton Development, LLC	Louisiana	100%
	Koval Holdings Company, LLC	Delaware	100%
	Koval Investment Company, LLC	Nevada	100%
	Las Vegas Golf Management, LLC	Nevada	100%
	Nevada Marketing, LLC	Nevada	100%
	PHW Investments, LLC	Delaware	100%
	PHW Las Vegas, LLC	Nevada	100%
	TSP Owner, LLC	Delaware	100%

- 10 99.5% Harrah's Chester Downs Investment Company, LLC ; [.5% non-affiliate]
- 11 80% Harrah's Illinois Corporation ; [20% non-affiliate]
- 12 7.5% Harrah's Interactive Investment Company; [92.5% non-affiliate]
- 13 54.45% Caesars Entertainment Operating Company, Inc., 0.55% Harrah's Maryland Heights Operating Company, 45% Players Maryland Heights Nevada, LLC
- 14 99% Caesars Entertainment Operating Company, Inc., 1% Harrah's Management Company
- 15 84.3% Harrah's Shreveport Investment Company, LLC, 9.8% Harrah's Shreveport/Bossier City Holding Company, LLC, 0.9% Harrah's Shreveport Management Company, LLC, 5% Harrah's New Orleans Management Company
- 16 49% Harrah's Bossier City Investment Company, LLC; [51% non-affiliate]
- 17 83% Harrah's Tunica Corporation; 17% Harrah's Vicksburg Corporation

<u>Name</u>	<u>Jurisdiction of Incorporation</u>	<u>Percentage of Ownership</u>
PHW Manager, LLC	Nevada	100%
Reno Crossroads, LLC	Delaware	100%
Rio Development Company, Inc.	Nevada	100%
Roman Empire Development, LLC	Nevada	100%
TRB Flamingo, LLC	Nevada	100%
Trigger Real Estate Corporation	Nevada	100%
Winnick Parent, LLC	Delaware	100%
Winnick Holdings, LLC	Delaware	100%
Las Vegas Resort Development, Inc.	Nevada	100%
Players International, LLC	Nevada	100%
Players Development, Inc.	Nevada	100%
Players Holding, LLC	Nevada	100%
Players Bluegrass Downs, Inc.	Kentucky	100%
Players LC, LLC	Nevada	100%
Players Maryland Heights Nevada, LLC	Nevada	100%
Players Riverboat, LLC	Nevada	100%
Players Riverboat Management, LLC	Nevada	100%
Players Riverboat II, LLC ¹⁸	Louisiana	1%
Southern Illinois Riverboat/Casino Cruises, Inc.	Illinois	100%
Players Resources, Inc.	Nevada	100%
Players Services, Inc.	New Jersey	100%
Harveys BR Management Company, Inc.	Nevada	100%
Harveys C.C. Management Company, Inc.	Nevada	100%
Harveys Iowa Management Company, Inc.	Nevada	100%
HBR Realty Company, Inc.	Nevada	100%
HCR Services Company, Inc.	Nevada	100%
Reno Projects, Inc.	Nevada	100%
Horseshoe Gaming Holding, LLC	Delaware	100%
Casino Computer Programming, Inc.	Indiana	100%
Horseshoe GP, LLC	Nevada	100%
Horseshoe Hammond, LLC	Indiana	100%
Horseshoe Shreveport, L.L.C.	Louisiana	100%
New Gaming Capital Partnership ¹⁹	Nevada	99%
Horseshoe Entertainment ²⁰	Louisiana	91.92%
Robinson Property Group Corp. ²¹	Mississippi	99%
Horseshoe PL GP, LLC	Delaware	100%
Horseshoe PL Acquisition Co., LLC	Delaware	100%
Harrah's PL Lender, LLC	Delaware	100%
Horseshoe PL Development Company, LLC	Delaware	100%
Horseshoe PL LP, LLC	Delaware	100%
Horseshoe PL Management Company, LLC	Delaware	100%
Bally's Midwest Casino, Inc.	Delaware	100%
Bally's Operator, Inc.	Delaware	100%
Bally's Tunica, Inc.	Mississippi	100%
Bally's Olympia Limited Partnership ²²	Delaware	88%
Bally's Park Place, Inc.	New Jersey	100%
Atlantic City Country Club I, LLC	New Jersey	100%
GNOC, Corp.	New Jersey	100%
Benco, Inc.	Nevada	100%
Caesars Entertainment Akwesasne Consulting Corporation	Nevada	100%

	Caesars Entertainment Canada Holding, Inc.	Nevada	100%
	Park Place Entertainment Scotia Finance Limited Partnership ²³	New Brunswick	1%
18	1% Players Riverboat Management, LLC, 99% Players Riverboat, LLC		
19	99% Horseshoe Gaming Holding, LLC; 1% Horseshoe GP, LLC		
20	91.92% New Gaming Capital Partnership; 8.08% Horseshoe Gaming Holding, LLC		
21	99% Horseshoe Gaming Holding, LLC; 1% Horseshoe GP, LLC		
22	88% Bally's Tunica, Inc., 11% Bally's Midwest Casino, Inc., 1% Bally's Operator, Inc.		
23	1% Caesars Entertainment Canada Holding, Inc., 99% Caesars Entertainment Operating Company, Inc.		

<u>Name</u>	<u>Jurisdiction of Incorporation</u>	<u>Percentage of Ownership</u>
Caesars Entertainment Finance Corp.	Nevada	100%
Park Place Finance, ULC	Nova Scotia	100%
Caesars Entertainment Development, LLC	Nevada	100%
Caesars Entertainment - Golf, Inc.	Nevada	100%
Caesars Entertainment Retail, Inc.	Nevada	100%
Caesars World, Inc.	Florida	100%
Caesars Entertainment Windsor Limited	Canada	100%
Windsor Casino Limited ²⁴	Canada	50%
Caesars New Jersey, Inc.	New Jersey	100%
Boardwalk Regency Corporation	New Jersey	100%
Atlantic City Express Service, LLC ²⁵	New Jersey	33.33%
Martial Development Corporation	New Jersey	100%
Caesars Palace Corporation	Delaware	100%
Caesars Palace Realty Corporation	Nevada	100%
Octavius Linq Holding Co., LLC	Delaware	100%
Caesars Linq, LLC	Delaware	100%
Caesars Octavius, LLC	Delaware	100%
Desert Palace, Inc.	Nevada	100%
Caesars Palace Sports Promotions, Inc.	Nevada	100%
California Clearing Corporation	California	100%
Caesars India Sponsor Company, LLC	Nevada	100%
Tele/Info, Inc.	Nevada	100%
Caesars United Kingdom, Inc.	Nevada	100%
Caesars Entertainment, (U.K.) Ltd.	United Kingdom	100%
Caesars World Marketing Corporation	New Jersey	100%
Caesars World International Corporation PTE, Ltd.	Singapore	100%
Caesars World International Far East Limited	Hong Kong	100%
Caesars World Marketing Company, Limited	Thailand	100%
Caesars World Merchandising, Inc.	Nevada	100%
Windsor Casino Supplies Limited ²⁶	Canada	50%
Roman Entertainment Corporation of Indiana	Indiana	100%
Roman Holding Corporation of Indiana	Indiana	100%
Caesars Riverboat Casino, LLC ²⁷	Indiana	82%
CEI-Sullivan County Development Company	Nevada	100%
Consolidated Supplies, Services and Systems	Nevada	100%
Grand Casinos, Inc.	Minnesota	100%
BL Development Corp.	Minnesota	100%
GCA Acquisition Subsidiary, Inc.	Minnesota	100%
Grand Casinos of Biloxi, LLC	Minnesota	100%
Biloxi Village Walk Development, LLC	Delaware	100%
Village Walk Construction, LLC	Delaware	100%
Biloxi Hammond, LLC	Delaware	100%
Grand Casinos of Mississippi, LLC Gulfport	Mississippi	100%
Grand Media Buying, Inc.	Minnesota	100%
Parball Corporation	Nevada	100%
FHR Corporation	Nevada	100%
Flamingo-Laughlin, Inc.	Nevada	100%
LVH Corporation	Nevada	100%
Tunica Roadhouse Corporation	Delaware	100%
VLO Development Corporation	British Virgin Islands	100%

Macau Orient Investment Limited ²⁸	Macau	99%
Outoi Investment Company Limited ²⁹	Macau	20%
Caesars Golf Macau Limited ³⁰	Macau	2%
VFC Development Corporation	British Virgin Islands	100%
Showboat Holding, Inc.	Nevada	100%
Ocean Showboat, Inc.	New Jersey	100%
Showboat Atlantic City Operating Company, LLC	New Jersey	100%

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- 24 50% Caesars Entertainment Windsor Limited; [50% non-affiliate]
- 25 33.33% Boardwalk Regency Corporation; 33.33% Harrah's Atlantic City Holding, Inc.; [33.33% non-affiliate]
- 26 50% Caesars World Merchandising, Inc.; [50% non-affiliate]
- 27 82% Roman Holding Corporation of Indiana, 18% Caesars Entertainment Operating Company, Inc.
- 28 99% VLO Development Corporation; 1% VFC Development Corporation
- 29 80% Macau Orient Investment Limited; 20% VLO Development Corporation
- 30 63% Macau Orient Investment Limited; 35% Outoi Investment Company Limited; 2% VLO Development Corporation

<u>Name</u>	<u>Jurisdiction of Incorporation</u>	<u>Percentage of Ownership</u>
Showboat Atlantic City Mezz 9, LLC	Delaware	100%
Showboat Atlantic City Mezz 8, LLC	Delaware	100%
Showboat Atlantic City Mezz 7, LLC	Delaware	100%
Showboat Atlantic City Mezz 6, LLC	Delaware	100%
Showboat Atlantic City Mezz 5, LLC	Delaware	100%
Showboat Atlantic City Mezz 4, LLC	Delaware	100%
Showboat Atlantic City Mezz 3, LLC	Delaware	100%
Showboat Atlantic City Mezz 2, LLC	Delaware	100%
Showboat Atlantic City Mezz 1, LLC	Delaware	100%
Showboat Atlantic City Propco, LLC	Delaware	100%
CA Hospitality Holding Company, Ltd.	British Virgin Islands	100%
CH Management Company, Ltd.	Hong Kong	100%
Harrah's International Holding Company, Inc.	Delaware	100%
Harrah's Entertainment Limited	England/Wales	100%
Harrah's Activity Limited	England/Wales	100%
Caesars Spain Holdings Limited	England/Wales	100%
Caesars Casino Castilla La Mancha S.A. ³¹	Spain	60%
Caesars Hotel Castilla La Mancha S.L.	Spain	100%
B I Gaming Corporation	Nevada	100%
Baluma Holdings S.A. ³²	Bahamas	83.77%
Baluma S.A. ³³	Uruguay	99.89%
Baluma Cambio, S.A.	Uruguay	100%
Baluma Ltda. ³⁴	Brazil	99.99978%
HEI Holding Company One, Inc.	Nevada	100%
Caesars Bahamas Management Corporation ³⁵	Bahamas	50%
HEI Holding Company Two, Inc.	Nevada	100%
Harrah's International C.V. ³⁶	The Netherlands	99%
HEI Holding C.V. ³⁷	The Netherlands	99%
Harrah's (Barbados) SRL	Barbados	100%
HET International 1 B.V.	The Netherlands	100%
HET International 2 B.V.	The Netherlands	100%
Caesars Bahamas Investment Corporation	Bahamas	100%
Caesars Asia Limited	Hong Kong	100%
Dagger Holdings Limited	England/Wales	100%
London Clubs International Limited	England/Wales	100%

31 60% Harrah's Entertainment Limited.; [40% non-affiliate]
32 11.46% B I Gaming Corporation; 83.77% Harrah's International Holding Company, Inc.; [4.77% Third Parties]
33 0.11% B I Gaming Corporation; 99.89% Baluma Holdings S.A.
34 99.99978% Baluma S.A.; 0.00022 Baluma Holdings S.A.
35 50% HEI Holding Company One, Inc.; 50% Caesars Entertainment Operating Company, Inc.
36 99% HEI Holding Company Two, Inc.; 1% HEI Holding Company One, Inc.
37 99% Harrah's International C.V.; 1% HEI Holding Company One, Inc.

<u>Name</u>	<u>Jurisdiction of Incorporation</u>	<u>Percentage of Ownership</u>
London Clubs Structure Described Below		
London Clubs International Limited	England/Wales	100%
London Clubs Holdings Limited	England/Wales	100%
LCI (Overseas) Investments Pty Ltd.	South Africa	100%
Emerald Safari Resort (Pty) Limited ³⁸	South Africa	70%
London Clubs Management Limited	England/Wales	100%
London Clubs Poker Room Limited	England/Wales	100%
London Clubs Manchester Limited	England/Wales	100%
London Clubs Nottingham Limited	England/Wales	100%
Burlington Street Services Limited	England/Wales	100%
Golden Nugget Club Limited	England/Wales	100%
London Clubs Southend Limited	England/Wales	100%
R Club (London) Limited	England/Wales	100%
Playboy Club (London) Limited	England/Wales	100%
The Sportsman Club Limited	England/Wales	100%
London Clubs Glasgow Limited	Scotland	100%
London Clubs LSQ Limited	England/Wales	100%
London Clubs Leeds Limited	England/Wales	100%
London Clubs Brighton Limited	England/Wales	100%
Corby Leisure Retail Development Limited	England/Wales	100%
London Clubs (Overseas) Limited	England/Wales	100%
Inter Casino Management (Egypt) Limited	Isle of Man	100%
London Clubs (Europe) Limited	England/Wales	100%
Brussels Casino S.A.	Belgium	100%
LCI plc	England/Wales	100%
London Clubs Limited	England/Wales	100%
Casanova Limited	England/Wales	100%
R Casino Limited	England/Wales	100%
London Clubs Trustee Limited	England/Wales	100%
Culembourg Metropole Casino (Pty) Limited	South Africa	100%

38 70% LCI (Overseas) Investments Pty Ltd.; [30% non-affiliate]

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-150476 on Form S-8 of Caesars Entertainment Corporation of our reports dated March 14, 2012, relating to the consolidated financial statements and consolidated financial statement schedule of Caesars Entertainment Corporation and subsidiaries and the effectiveness of Caesars Entertainment Corporation and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of Caesars Entertainment Corporation for the year ended December 31, 2011.

/s/ Deloitte & Touche LLP

Las Vegas, Nevada

March 14, 2012

I, Gary W. Loveman, certify that:

1. I have reviewed this annual report on Form 10-K of Caesars Entertainment Corporation;
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:

March 14, 2012

By: /s/ GARY W. LOVEMAN
Gary W. Loveman
Chairman of the Board, Chief Executive Officer,
and President

I, Jonathan S. Halkyard, certify that:

1. I have reviewed this annual report on Form 10-K of Caesars Entertainment Corporation;
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:

March 14, 2012

By: /s/ JONATHAN S. HALKYARD

Jonathan S. Halkyard

**Executive Vice President and Chief Financial
Officer**

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 Entertainment Corporation (the “Company”), hereby certifies, to such officer’s knowledge, that:

(i) the accompanying Annual Report on Form 10-K of the Company for the year ended December 31, 2011 (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: March 14, 2012

/s/ GARY W. LOVEMAN

Gary W. Loveman

**Chairman of the Board, Chief Executive Officer, and
President**

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.

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 Entertainment Corporation (the “Company”), hereby certifies, to such officer’s knowledge, that:

(i) the accompanying Annual Report on Form 10-K of the Company for the year ended December 31, 2011 (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: March 14, 2012

/s/ JONATHAN S. HALKYARD

Jonathan S. Halkyard

Executive Vice President and 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.

Supplemental Discussion of Caesars Entertainment Operating Company Results

On January 28, 2008, Caesars Entertainment Corporation (“Caesars Entertainment” or “Caesars”) was acquired by affiliates of Apollo Global Management, LLC and TPG Capital, LP in an all-cash transaction (the “Acquisition”). A substantial portion of the financing of the Acquisition is comprised of bank and bond financing obtained by Caesars Entertainment Operating Company, Inc. (for purposes of this Exhibit, “CEOC”, the “Company,” “we,” “our,” or “us”, and including our subsidiaries when the context requires), a wholly-owned subsidiary of Caesars Entertainment. This financing is neither secured nor guaranteed by Caesars Entertainment’s other wholly-owned subsidiaries, including certain subsidiaries that own properties that are secured under \$5,031.5 million face value of commercial mortgage-backed securities (“CMBS”) financing. Therefore, we believe it is meaningful to provide information pertaining solely to the consolidated financial position and results of operations of CEOC and its subsidiaries.

In August 2010, in conjunction with the amendment of the CMBS financing, certain trademark assets were transferred from one of the subsidiaries of CEOC to the CMBS properties. This transfer of trademarks, with a book value of \$45.3 million, was not properly recorded in the CEOC unaudited Consolidated Condensed Balance Sheets at December 31, 2010. Trademark values have been properly presented in the CEOC unaudited Consolidated Condensed Balance Sheet as of December 31, 2011 included herein. This revision resulted in a decrease in intangible assets other than goodwill and total CEOC stockholder’s deficit in the amount of the book value of the trademarks. The error, which we have determined is not material to this Exhibit 99.1 for all periods, had no impact on the CEOC’s unaudited Consolidated Condensed Statements of Operations or unaudited Consolidated Condensed Statements of Cash Flows included herein.

Subsequent to the filing of Exhibit 99.1 to Caesars Entertainment’s quarterly report on Form 10-Q for the quarter and nine-months ended September 30, 2011, we identified certain deferred tax liabilities primarily related to transaction costs incurred in connection with the Acquisition, which had been incorrectly recorded in 2008, and not properly adjusted upon the 2009 receipt of the final transaction cost reports. The net impact of correcting for this error is to reduce our deferred tax liabilities by approximately \$40 million, reduce goodwill by approximately \$11 million, and recognize the difference of \$29.4 million as an increase to income tax benefit. There are no cash impacts as a result of this correction, and this does not materially misstate our 2011 consolidated financial statements.

OPERATING RESULTS FOR CEOC

Overall CEOC Results

The following tables represent CEOC’s unaudited Consolidated Condensed Balance Sheets as of December 31, 2011 and 2010 and its unaudited Consolidated Condensed Statements of Operations and unaudited Consolidated Condensed Statements of Cash Flows for the years ended December 31, 2011 and 2010.

Caesars Entertainment Operating Company, Inc.
Consolidated Condensed Balance Sheets
(Unaudited)

(In millions)	As of December 31,	
	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 610.0	\$ 619.1
Receivables, net of allowance for doubtful accounts of \$167.8 and \$181.3	431.4	344.5
Deferred income taxes	156.1	159.1
Prepayments and other current assets	143.6	129.0
Inventories	34.3	38.7
Total current assets	1,375.4	1,290.4
Property and equipment, net of accumulated depreciation of \$2,073.1 and \$1,532.7	12,260.3	12,426.0
Goodwill	1,723.5	1,731.5
Intangible assets other than goodwill	3,998.5	4,153.7
Investments in and advances to non-consolidated affiliates	90.2	85.3
Restricted cash	377.1	—
Deferred charges and other	532.7	605.3
	<u>\$20,357.7</u>	<u>\$20,292.2</u>
LIABILITIES AND STOCKHOLDER'S DEFICIT		
Current liabilities		
Accounts payable	\$ 260.5	\$ 218.9
Interest payable	193.1	205.3
Accrued expenses	752.3	765.7
Current portion of long-term debt	40.4	55.6
Total current liabilities	1,246.3	1,245.5
Long-term debt	15,591.0	14,405.2
Notes payable to affiliate	322.1	500.0
Deferred credits and other	870.7	893.5
Deferred income taxes	3,460.8	3,828.1
	<u>21,490.9</u>	<u>20,872.3</u>
Total CEOC stockholder's deficit	(1,175.2)	(618.7)
Non-controlling interests	42.0	38.6
Total stockholder's deficit	<u>(1,133.2)</u>	<u>(580.1)</u>
	<u>\$20,357.7</u>	<u>\$20,292.2</u>

Caesars Entertainment Operating Company, Inc.
Consolidated Condensed Statements of Operations
(Unaudited)

<u>(In millions)</u>	<u>Year Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Revenues		
Casino	\$ 5,408.1	\$ 5,646.1
Food and beverage	1,033.1	1,012.4
Rooms	754.8	704.8
Management fees	35.8	39.1
Other	478.7	438.9
Less: casino promotional allowances	(906.5)	(985.2)
Net revenues	<u>6,804.0</u>	<u>6,856.1</u>
Operating expenses		
Direct		
Casino	3,102.5	3,289.8
Food and beverage	422.1	385.5
Rooms	171.3	154.7
Property, general, administrative, and other	1,516.4	1,499.0
Depreciation and amortization	556.1	573.2
Write-downs, reserves, recoveries, and project opening costs	91.9	123.8
Impairment of goodwill and other non-amortizing intangible assets	11.0	193.0
Loss/(income) on interests in non-consolidated affiliates	6.9	3.7
Corporate expense	120.9	107.5
Acquisition and integration costs	3.5	12.8
Amortization of intangible assets	97.1	101.3
Total operating expenses	<u>6,099.7</u>	<u>6,444.3</u>
Income/(loss) from operations	704.3	411.8
Interest expense, net of interest capitalized	(2,030.9)	(1,782.0)
(Losses)/gains on early extinguishments of debt	—	(4.7)
Other income, including interest income	24.1	40.9
(Loss)/income before income taxes	(1,302.5)	(1,334.0)
Benefit/(provision) for income taxes	533.5	490.9
Net (loss)/income	(769.0)	(843.1)
Less: net income attributable to non-controlling interests	(10.4)	(8.0)
Net (loss)/income attributable to CEOC	<u>\$ (779.4)</u>	<u>\$ (851.1)</u>

Caesars Entertainment Operating Company, Inc.
Consolidated Condensed Statements of Cash Flows
(Unaudited)

<u>(In millions)</u>	<u>Year Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash flows used in operating activities	\$ (235.7)	\$ (207.9)
Cash flows from investing activities		
Acquisitions of property and equipment, net of change in construction payables	(248.9)	(135.4)
Change in restricted cash	(417.0)	—
Payments to acquire businesses, net of transaction costs and cash acquired	—	(30.6)
Purchase of additional interests in subsidiary	—	(19.5)
Payments made to acquire certain gaming rights	(22.7)	(16.5)
Investments in/advances to non-consolidated affiliates and other	(76.0)	(64.0)
Other	(3.6)	8.6
Cash flows used in investing activities	(768.2)	(257.4)
Cash flows from financing activities		
Proceeds from the issuance of long-term debt	863.8	780.8
Debt issuance costs and fees	(18.1)	(18.2)
Borrowings under lending agreements	358.0	1,175.0
Repayments under lending agreements	(203.0)	(1,625.8)
Cash paid for early extinguishments of debt	(17.5)	(219.9)
Scheduled debt retirements	(43.7)	(237.0)
Purchase of additional interests in subsidiary	—	—
Intercompany note borrowings, net of repayments	63.4	682.4
Other	(8.1)	(21.7)
Cash flows provided by financing activities	994.8	515.6
Net (decrease)/increase in cash and cash equivalents	(9.1)	50.3
Cash and cash equivalents, beginning of period	619.1	568.8
Cash and cash equivalents, end of period	<u>\$ 610.0</u>	<u>\$ 619.1</u>

REGIONAL AGGREGATION

The executive officers of our Company review operating results, assess performance, and make decisions related to the allocation of resources on a property-by-property basis. We believe, therefore, that each property is an operating segment and that it is appropriate to aggregate and present the operations of our Company as one reportable segment. To provide more meaningful information than would be possible on a consolidated basis, our casino properties (as of December 31, 2011 or otherwise noted below) have been grouped into seven regions as follows to facilitate discussion of our operating results:

<u>Las Vegas</u>	<u>Atlantic City</u>	<u>Louisiana/Mississippi</u>	<u>Iowa/Missouri</u>
Caesars Palace	Showboat Atlantic City	Harrah's New Orleans	Harrah's St. Louis
Bally's Las Vegas	Bally's Atlantic City	Harrah's Louisiana Downs	Harrah's North Kansas City
Imperial Palace	Caesars Atlantic City	Horseshoe Bossier City	Harrah's Council Bluffs
Bill's Gamblin' Hall & Saloon	Harrah's Chester ^(g)	Grand Biloxi	Horseshoe Council Bluffs/Bluffs Run
Planet Hollywood Resort & Casino (a)		Harrah's Tunica	
		Horseshoe Tunica	
		Tunica Roadhouse Hotel & Casino	
<u>Illinois/Indiana</u>	<u>Other Nevada</u>	<u>Managed, International, and Other</u>	
Horseshoe Southern Indiana	Harrah's Reno	Harrah's Ak-Chin ^(d)	
Harrah's Joliet ^(c)	Harrah's Lake Tahoe	Harrah's Cherokee ^(d)	
Horseshoe Hammond	Harveys Lake Tahoe	Harrah's Rincon ^(d)	
Harrah's Metropolis		Conrad Punta del Este ^(b)	
		Casino Windsor ^(e)	
		London Clubs International ^(f)	

^(a) Acquired February 2010.

^(b) We have an approximately 95% ownership interest in and manage this property.

^(c) We have an 80% ownership interest in and manage this property.

^(d) Managed.

^(e) We have a 50% ownership interest in Windsor Casino Limited, which operates this property. The province of Ontario owns the complex.

^(f) We own, operate, or manage 10 casino clubs in the provinces of the United Kingdom and two in Egypt. We have a 70% ownership interest in and manage one casino club in South Africa.

^(g) At December 31, 2011, we had a 95% ownership interest in, and we manage this property. In February 2012, we purchased an additional 4.5% interest, bringing our total ownership interest in this property to 99.5%.

CONSOLIDATED OPERATING RESULTS

<u>(\$ in millions)</u>	<u>2011</u>	<u>2010</u>	<u>Percentage Favorable/ (Unfavorable)</u>
Casino revenues	\$5,408.1	\$5,646.1	(4.2)%
Net revenues	6,804.0	6,856.1	(0.8)%
Income/(loss) from operations	704.3	411.8	71.0%
Net (loss)/income attributable to CEOC	(779.4)	(851.1)	8.4%
Operating margin**	10.4%	6.0%	4.4 pts

* Not meaningful

** Operating margin is calculated as income/(loss) from operations divided by net revenues for the respective period.

Year ended December 31, 2011 compared to December 31, 2010

CEOC's net revenues for 2011 were \$6,804.0 million, a decrease of \$52.1 million, or 0.8% from 2010, as favorable results in Las Vegas and from our international businesses were unable to offset revenue declines at properties in the Midwest and Atlantic City.

For 2011, income from operations increased \$292.5 million, or 71.0%, to \$704.3 million from 2010. This increase was due mainly to a \$182.0 million decrease from 2010 in impairment charges related to goodwill and other non-amortizing intangible assets, the effects of cost-reduction efforts under cost savings programs, including Project Renewal, and a \$31.9 million reduction in write-downs, reserves, recoveries, and project opening costs.

Net loss attributable to CEOC for 2011 decreased 8.4% to \$779.4 million from \$851.1 million in 2010, due primarily to higher income from operations and an increase in the benefit for income taxes, partially offset by higher interest expense in 2011, due mainly to certain interest rate swaps no longer qualifying for hedge accounting, and gains on the early extinguishment of debt recognized in 2010 that were not as significant in 2011.

Performance Metrics

The Company measures its performance in part through tracking of trips by rated customers, which means a customer whose gaming activity is tracked through our Total Rewards customer-loyalty system (“trips”), and by spend per rated customer trip (“spend per trip”). A trip is created by a Total Rewards card holder engaging in one or more of the following activities while at one of our properties: (1) hotel stay, (2) gaming activity, or (3) a comp redemption, which means the receipt of a complimentary item given out by our casinos. In markets where we have multiple properties, customers often engage in trip generating activities at more than one property in a day. In these instances, we consider the market as a whole and do not count multiple trips. 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. For the Atlantic City region, the Company refers to customers that stay at a hotel in one of our properties as lodgers and customers that may play at a casino located in one of our properties but do not stay at a hotel at such property as non-lodgers.

The following table reflects the percentage increase/(decrease) in trips and spend per trip for the U.S. regions for 2011 as compared to 2010.

	<u>Trips</u>	<u>Spend per Trip</u>
Consolidated CEOC	(7.5)%	4.0%
Las Vegas region	5.1%	6.5%
Atlantic City region:		
Lodgers	(0.7)%	(3.1)%
Non-lodgers	(5.6)%	(1.3)%
All other regions	(10.0)%	3.4%

For 2011, trips on a consolidated CEOC basis declined from 2010 due to (i) new competition in the Atlantic City, Iowa/Missouri, and Illinois/Indiana regions, (ii) reduced access to one of our properties due to a bridge closure in the Illinois/Indiana region beginning in the first week of September 2011 that reopened in February 2012, (iii) temporary closures in the Atlantic City region during the third quarter of 2011 due to Hurricane Irene, (iv) temporary closures of seven properties in the Illinois/Indiana and Louisiana/Mississippi regions during the first half of 2011 due to flooding and severe weather conditions, and (v) the impact of marketing programs on trip frequency of certain customer segments in all U.S. regions. These decreases in trips were partially offset by an increase in trips for the Las Vegas region during 2011.

On a consolidated CEOC basis, cash average daily room rates for 2011 increased to \$96 from \$90, an increase of 7.2%. Total occupancy percentages increased 0.9 percentage points when compared to 2010.

REGIONAL OPERATING RESULTS

Las Vegas Region

(\$ in millions)	2011	2010	Percentage Favorable/ (Unfavorable)
Casino revenues	\$ 850.3	\$ 793.7	7.1%
Net revenues	1,601.4	1,441.1	11.1%
Income/(loss) from operations	270.6	162.5	66.5%
Operating margin**	16.9%	11.3%	5.6 pts

* Not meaningful

** Operating margin is calculated as income/(loss) from operations divided by net revenues for the respective period.

Strengthening fundamentals in the overall Las Vegas market and the international, high-end gaming segment positively impacted the Company's results in the region. Increases in trips, spend per trip, cash average daily room rates, and total occupancy contributed to a \$160.3 million, or 11.1% increase in the Las Vegas region net revenues for 2011 from 2010. Hotel revenues in the region increased 14.2%, cash average daily room rates increased 8.5% to \$98 from \$90 and total occupancy percentages rose 3.8 percentage points for 2011, marking our highest occupancy percentage in the Las Vegas region in six years. For 2011, income from operations increased \$108.1 million, or 66.5%, due to the impact of increased revenues and a decrease in remediation costs related to the properties in the region.

The opening of the 662-room Octavius Tower in early January 2012 marked the substantial completion of the \$860 million Caesars Palace expansion announced in 2007. In addition to the tower, the expansion included 110,000-square-feet of additional meeting and convention space, three 10,000-square-foot luxury villa suites and an expanded pool and garden area.

During 2011, we also commenced construction on Project Linq, a dining, entertainment, and retail development between our Flamingo and Imperial Palace casinos, on the east side of the Las Vegas Strip, which is scheduled to open in phases in mid to late 2013. The financing related to these projects is discussed more fully in the “Liquidity and Capital Resources” section that follows herein.

Atlantic City Region

(\$ in millions)	2011	2010	Percentage Favorable/ (Unfavorable)
Casino revenues	\$1,209.5	\$1,295.2	(6.6)%
Net revenues	1,369.2	1,417.6	(3.4)%
Income/(loss) from operations	49.4	33.5	47.5%
Operating margin**	3.6%	2.4%	1.2 pts

* Not meaningful

** Operating margin is calculated as income/(loss) from operations divided by net revenues for the respective period.

Atlantic City region net revenues declined \$48.4 million, or 3.4%, for 2011 from 2010 due to declines in trips and spend per trip in both lodger and non-lodger segments. Trip declines resulted from temporary closures of the properties in the region during the third quarter of 2011 due to Hurricane Irene, the continued effect of competition from new casinos and the mid-2010 introduction of table games in the Pennsylvania market. Income from operations increased \$15.9 million or 47.5%, for 2011 from 2010 due to lower revenues, which was mostly offset by reduced property operating expenses as a result of our cost-reduction activities.

Louisiana/Mississippi Region

(\$ in millions)	2011	2010	Percentage Favorable/ (Unfavorable)
Casino revenues	\$1,012.0	\$1,096.4	(7.7)%
Net revenues	1,104.4	1,193.4	(7.5)%
Income from operations	122.0	69.9	74.5%
Operating margin**	11.0%	5.9%	5.1 pts

** Operating margin is calculated as income/(loss) from operations divided by net revenues for the respective period.

Louisiana/Mississippi region net revenues decreased \$89.0 million, or 7.5%, for 2011 from 2010 due to a decrease in trips, which were negatively impacted by the temporary closure of three properties in the region in the first half 2011 due to flooding and severe weather conditions. Income from operations increased \$52.1 million, or 74.5%, in 2011 from 2010. This increase was due mainly to reduced property operating expenses and a \$48.0 million decrease from 2010 in impairment charges related to goodwill and other non-amortizing intangible assets, offset by the impact of lower revenues. Certain costs incurred during 2011 in connection with the closures of several properties due to flooding were not expensed but instead have been recovered from, or recorded as receivables from, third-party insurance providers.

Iowa/Missouri Region

(\$ in millions)	2011	2010	Percentage Favorable/ (Unfavorable)
Casino revenues	\$678.3	\$688.4	(1.5)%
Net revenues	724.4	735.4	(1.5)%
Income from operations	180.9	171.0	5.8%
Operating margin**	25.0%	23.3%	1.7 pts

** Operating margin is calculated as income/(loss) from operations divided by net revenues for the respective period.

Iowa/Missouri region net revenues declined \$11.0 million, or 1.5%, for 2011 from 2010 as the impact of higher spend per trip was more than offset by lower trips largely resulting from modifications to marketing programs to certain customer segments. For 2011, income from operations increased \$9.9 million, or 5.8%, from 2010. This increase was due mainly to a \$9.0 million decrease from 2010 in impairment charges related to goodwill and other non-amortizing intangible assets, while the decrease in net revenues was offset by lower property operating expenses as a result of our cost reduction activities.

Illinois/Indiana Region

(\$ in millions)	2011	2010	Percentage Favorable/ (Unfavorable)
Casino revenues	\$1,010.9	\$1,152.9	(12.3)%
Net revenues	1,059.5	1,160.1	(8.7)%
Income/(loss) from operations	145.8	119.0	22.5%
Operating margin**	13.8%	10.3%	3.5 pts

* Not meaningful

** Operating margin is calculated as income/(loss) from operations divided by net revenues for the respective period.

Illinois/Indiana region net revenues decreased \$100.6 million, or 8.7%, for 2011 from 2010, as trips declined due to the impact of temporary closures of four properties in the first half of 2011 as a result of flooding and severe weather conditions, reduced access to one of our properties in the region resulting from a bridge closure beginning in the first week of September 2011 that reopened in February 2012, and new competition. Income from operations for 2011 increased \$26.8 million, or 22.5%, to \$145.8 million from \$119.0 million in 2010. This increase was primarily due to lower property operating expenses and a \$58.0 million decrease from 2010 in impairment charges related to goodwill and other non-amortizing intangible assets, partially offset by the impact of lower revenues and a favorable \$23.5 million property tax adjustment recorded in the fourth quarter of 2010 that did not recur in 2011.

Other Nevada Region

(\$ in millions)	2011	2010	Percentage Favorable/ (Unfavorable)
Casino revenues	\$228.4	\$231.5	(1.3)%
Net revenues	306.2	307.6	(0.5)%
Income/(loss) from operations	28.2	(28.7)	*
Operating margin**	9.2%	(9.3)%	*

* Not meaningful

** Operating margin is calculated as income/(loss) from operations divided by net revenues for the respective period.

Net revenues in our Other Nevada region for 2011 decreased slightly from 2010, due to a decrease in trips and spend per trip. Income/(loss) from operations improved by \$56.9 million for 2011 from 2010 primarily due to a \$49.0 million decrease in impairment charges related to goodwill and other non-amortizing intangible assets, and lower property operating expenses.

Managed, International and Other

Managed, International and Other results include our three Managed, Indian-owned casinos and Thistledown Racetrack, the results of our International properties, and Other, which is comprised of corporate expenses, including administrative, marketing and development costs; and income from certain non-consolidated affiliates.

(\$ in millions)	2011	2010	Percent Favorable/ (Unfavorable)
Net revenues			
Managed	\$ 48.1	\$ 43.9	9.6%
International	462.1	431.1	7.2%
Other	128.7	125.9	2.2%
Total net revenues	<u>\$ 638.9</u>	<u>\$ 600.9</u>	6.3%
(Loss)/income from operations			
Managed	\$ 6.0	\$ 11.9	(49.6)%
International	38.8	10.5	*
Other	(137.4)	(137.8)	0.3%
Total loss from operations	<u>\$ (92.6)</u>	<u>\$ (115.4)</u>	19.8%
Operating margin**			
Managed	12.5%	27.1%	(14.6) pts
International	8.4%	2.4%	6.0 pts
Other	(106.8)%	(109.5)%	2.7 pts
Total operating margin	<u>(14.5)%</u>	<u>(19.2)%</u>	4.7 pts

* Not meaningful

** Operating margin is calculated as income/(loss) from operations divided by net revenues for the respective period.

Net revenues in the Managed, International, and Other businesses, for 2011, increased \$38.0 million, or 6.3%, from 2010 due mainly to increases in spend per trip at the Company's Uruguay and London Clubs properties. Net revenues for 2011 increased despite declines experienced by our two properties in Egypt due to uprisings earlier in the year. Loss from operations decreased \$22.8 million, or 19.8%, from 2010, mainly due to the strong performance of our international businesses and a \$12.0 million decrease from 2010 in impairment charges related to goodwill and other non-amortizing intangible assets, partially offset by lower results at Thistledown Racetrack.

OTHER FACTORS AFFECTING NET INCOME

Expense/(Income) (\$ in millions)	2011	2010	Percentage Favorable/ (Unfavorable)
Write-downs, reserves, recoveries, and project opening costs	\$ 91.9	\$ 123.8	25.8%
Impairment of goodwill and other non-amortizing intangible assets	11.0	193.0	*
Corporate expense	120.9	107.5	(12.5)%
Amortization of intangible assets	97.1	101.3	4.1%
Interest expense, net of interest capitalized	2,030.9	1,782.0	(14.0)%
Losses/(gains) on early extinguishments of debt	—	4.7	*
Other income, including interest income	(24.1)	(40.9)	(41.1)%
(Benefit)/provision for income taxes	(533.5)	(490.9)	8.7%

* Not meaningful

Write-downs, reserves, recoveries, and project opening costs

Given the nature of the transactions included within write-downs, reserves, recoveries, and project opening costs, these amounts are not expected to be comparable from year-to-year, nor are the amounts expected to follow any particular trend.

Write-downs, reserves, recoveries, and project opening costs for 2011 decreased \$31.9 million, or 25.8%, driven primarily by a \$15.2 million reduction in remediation costs associated with Las Vegas properties and \$77.2 million in 2010 expense that did not recur in 2011, consisting of a \$52.2 million write-down of a note receivable related to a venture for development of a casino project in Philadelphia, Pennsylvania, and a \$25.0 million expense related to a previously disclosed contingency. These reductions were partially offset by a \$44.7 million increase in 2011 costs associated with identification and implementation of our efficiency projects, and 2011 charges of \$28.2 million to write off specific assets as a result of the termination of a development stage project in Spain.

Impairment of goodwill and other non-amortizing intangible assets

Each year, we perform a preliminary annual impairment assessment of goodwill and other non-amortizing intangible assets as of September 30. In the fourth quarter of each year, we update our preliminary assessment, once we finalize the long-term operating plan for the next fiscal year and certain other assumptions. We perform assessments more frequently if impairment indicators exist.

Our preliminary annual impairment assessment as of September 30, 2011 did not result in any impairment charges. We finalized our annual impairment assessment during the fourth quarter of 2011 and, as a result of the final assessment, we recorded an impairment charge of \$11.0 million, primarily as a result of adjustments to our long-term operating plan.

During 2010, due to the relative impact of weak economic conditions on certain properties in the Other Nevada and Louisiana/Mississippi regions, we performed an interim impairment assessment of goodwill and certain non-amortizing intangible assets for impairment during the second quarter, which resulted in an impairment charge of \$100.0 million. During the third quarter, we completed a preliminary annual assessment of goodwill and other non-amortizing intangible assets as of September 30, which resulted in an impairment charge of \$44.0 million. We finalized our annual assessment during the fourth quarter, and as a result of the final assessment, we recorded an impairment charge of \$49.0 million, which brought the aggregate charges recorded for 2010 to \$193.0 million.

Corporate Expense

Corporate expense increased in 2011 from the comparable period in 2010 due primarily to increases in variable compensation accruals.

Amortization of intangible assets

Amortization of intangible assets was lower in 2011 when compared to 2010, due to lower intangible asset balances as a result of certain contract rights being fully amortized during 2011.

Interest Expense, net of interest capitalized

Interest expense, net of interest capitalized, increased by \$248.9 million for 2011, compared to the same period in 2010. Interest expense, net of interest capitalized, is reported net of interest capitalized of \$22.7 million and \$1.3 million for 2011 and 2010, respectively. The majority of the interest capitalized in 2011 relates to the completion of the Octavius Tower at Caesars Palace Las Vegas. Prior to the consideration of interest capitalized, interest expense increased by \$270.3 million for 2011, compared to the same period in 2010 due primarily to removing the cash flow hedging designation for all swap agreements and reclassifying \$183.2 million of deferred losses recorded in Accumulated Other Comprehensive Loss ("AOCL") to interest expense as well as additional interest expense associated with new debt issuances. Interest expense for 2011, as a result of interest rate swap agreements and interest rate cap agreement, includes (i) \$56.7 million of gains due to measured ineffectiveness for derivatives designated as hedging instruments; (ii) \$15.5 million of gains due to changes in fair value for derivatives not designated as hedging instruments; and (iii) \$238.6 million of expense due to amortization and reclassification of deferred losses frozen in AOCL.

Other income, including interest income

As a result of the cancellation of our debt investment in certain predecessor entities of PHW Las Vegas in exchange for the equity of PHW Las Vegas, the Company recognized a gain of \$7.1 million to adjust our investment to reflect the estimated fair value of consideration paid for the acquisition. This gain is reflected in other income, including interest income, in our Condensed Combined Statement of Operations for the year ended December 31, 2010. In addition, other income for all periods presented included insurance policy proceeds related to the Company's deferred compensation plan.

(Benefit)/provision for income taxes

For 2011, we recorded an income tax benefit of \$533.5 million on loss before income taxes of \$1,302.5 million, compared with an income tax benefit of \$490.9 million on loss before income taxes of \$1,334.0 million for 2010.

The income tax benefit for 2011 was impacted by (i) a deferred tax benefit of \$29.4 million from the correction of an error in the deferred tax liabilities primarily relating to transaction costs incurred in connection with the acquisition in 2008 that were incorrectly recorded in 2008 and not properly adjusted upon the 2009 receipt of the final transaction cost reports, (ii) state deferred tax benefits resulting from the reorganization of certain of the Company's state operations, and (iii) other discrete items. The income tax benefit for 2010 was favorably impacted by the effects of state income tax benefits and other discrete items.

Beginning in 2012, income tax benefits are projected to be lower than in 2010 and 2011 as a result of state operating losses which will not be tax benefited starting in 2012. The Company estimates that the projected effective tax benefit rate will be 3% to 4% lower due to these reduced state income tax benefits.

Under the American Recovery and Reinvestment Act of 2009, or the ARRA, the Company received temporary federal tax relief under the Delayed Recognition of Cancellation of Debt Income, or CODI, rules. The ARRA contains a provision that allowed for a deferral for tax purposes of CODI for debt reacquired in 2009 and 2010, following by recognition of CODI ratably from 2014 to 2018. In connection with the debt that the Company reacquired in 2009 and 2010, the Company deferred related CODI of \$3.6 billion for tax purposes (net of Original Issue Discount ("OID") interest expense, some of which must also be deferred to 2014 through 2018 under the ARRA). The Company is required to include one-fifth of the deferred CODI, net of deferred and regularly scheduled OID, in taxable income each year from 2014 through 2018. For state income tax purposes, certain states have conformed to the Act and others have not.

LIQUIDITY AND CAPITAL RESOURCES

Cost Savings Initiatives

Caesars Entertainment has undertaken comprehensive cost-reduction efforts to right size expenses with business levels. In the fourth quarter of 2010, Caesars embarked on a reorganization they referred to as “Project Renewal,” an initiative designed to reinvent certain aspects of Caesars’ functional and operating units to gain significant further cost reductions and streamline its operations. As part of Project Renewal, Caesars’ implemented a shared-services organization that will enable more efficient decision making and sharing of best practices. Caesars anticipates that it will have a permanently lower cost structure and will benefit from greater concentration of specified talent and quicker decision making.

In accordance with our shared services agreement with Caesars Entertainment, we estimate that Project Renewal and previous cost-savings programs produced \$188.2 million in incremental cost savings for 2011 when compared to prior year. Additionally, as of December 31, 2011, we estimate that, once fully implemented, these cost-savings programs will produce additional annual cost savings of \$138.8 million.

Capital Spending and Development

In addition to the development and expansion projects discussed in the “Regional Operating Results” section, we incur capital expenditures in the normal course of business and we perform ongoing refurbishment and maintenance at our existing casino entertainment facilities to maintain our quality standards. We also continue to pursue development and acquisition opportunities for additional casino entertainment and other hospitality facilities that meet our strategic and return on investment criteria.

Our planned development projects, if they go forward, will require, individually and in the aggregate, 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 approvals from the appropriate political and regulatory bodies. We must also comply with covenants and restrictions set forth in our debt agreements. Our capital spending for the year ended December 31, 2011 totaled \$248.9 million, which includes an increase of \$21.0 million of construction payables.

Cash used for capital expenditures in the normal course of business is typically made available from cash flows generated by our operating activities while cash used for development projects, including projects currently under development as well as additional projects being pursued, is expected to be funded from established debt programs, specific project financing, and additional debt offerings. Estimated total capital expenditures for 2012, including 2012 expenditures associated with Project Linq, are expected to be between \$540.0 million and \$580.0 million.

Liquidity

Our cash and cash equivalents, excluding restricted cash, totaled \$610.0 million at December 31, 2011 compared to \$619.1 million at December 31, 2010.

Subsequent to the filing of Exhibit 99.1 to our annual report on Form 10-K/A for the year ended December 31, 2010, in the first quarter of 2011 we determined that approximately \$16.5 million reported as cash and cash equivalents as of December 31, 2010 should have been reported as either current or non-current restricted cash of CEOC at that date. At December 31, 2011 CEOC has \$451.9 million of current and non-current restricted cash, which is included in our Unaudited Consolidated Balance Sheet as \$42.9 million of prepayments and other current assets and \$409.0 million of restricted cash, respectively. Restricted cash consists of cash reserved under loan agreements for development projects and certain expenditures incurred in the normal course of business, such as real estate taxes, property insurance, and capital improvements. The Unaudited Condensed Consolidated Statement of Cash Flows for CEOC for the year ended December 31, 2011 includes \$417.0 million of investing cash outflows for the funding of restricted cash balances, including the \$16.5 million of restricted cash funded prior to 2011. Management determined that reclassifying the cash balances on the balance sheet and reporting the aggregate investing cash outflows was not a material correction of Exhibit 99.1 to our 2010 financial statements and does not materially misstate our 2011 financial statements.

We are a highly leveraged company and a significant amount of our liquidity needs are for debt service. As of December 31, 2011, we had \$15,953.5 million book value of indebtedness outstanding and cash paid for interest for the year ended December 31, 2011 was \$1,584.2 million. Payments of short-term debt obligations and other commitments are expected to be made from operating cash flows and from borrowings under our established debt programs. Long-term obligations are expected to be paid through operating cash flows, refinancing of debt, or, if necessary, additional debt or equity offerings. We do not expect that any new financing is required to meet our obligations during the next 12 months.

Our operating cash inflows are used for operating expenses, debt service costs, working capital needs, and capital expenditures in the normal course of business. From time to time, we retire portions of our outstanding debt through open market purchases, privately negotiated transactions, or otherwise, using available cash on hand or established debt programs.

In addition to cash flows from operations, available sources of cash include amounts available under our current revolving credit facility. At December 31, 2011, our additional borrowing capacity under the credit facility was \$938.2 million.

Our ability to fund our operations, pay our debt obligations, and fund planned capital expenditures depends, in part, upon economic and other factors that are beyond our control, and disruptions in capital markets and restrictive covenants related to our existing debt could impact our ability to secure additional funds through financing activities. We believe that our cash and cash equivalents balance, our cash flows from operations, and the financing sources discussed herein will be sufficient to meet our normal operating requirements during the next 12 months and to fund capital expenditures.

On February 3, 2012, Chester Downs and Marina, LLC (“Chester Downs”), a wholly-owned subsidiary of CEOC, issued \$330.0 million aggregate principal amount of 9.25% senior secured notes due 2020 through a private placement. Chester Downs used \$232.4 million of the proceeds of the notes to repay its existing term loan plus accrued interest and a prepayment penalty. The remaining proceeds were used to make a distribution to Chester Downs’ managing member, Harrah’s Chester Downs Investment Company, LLC, a wholly-owned subsidiary of CEOC, and for other general corporate purposes.

In February 2012, Caesars Operating Escrow LLC and Caesars Escrow Corporation, wholly owned subsidiaries of CEOC, completed the offering of \$1,250.0 million aggregate principal amount of 8.5% senior secured notes due 2020, the proceeds of which were placed into escrow. On March 1, 2012, the escrow conditions were satisfied and CEOC assumed the notes. CEOC used \$1,095.6 million of the net proceeds from this transaction to repay a portion of its credit facilities in connection with the amendment discussed below.

On March 1, 2012, CEOC entered into an amendment to its outstanding senior secured credit agreement, to, among other things, (i) extend the maturity of B-1, B-2 and B-3 term loans held by consenting lenders from January 28, 2015 to January 28, 2018 and increase the interest rate with respect to such extended term loans (the “Term B-6 Loans”); (ii) convert original maturity revolver commitments held by consenting lenders to Term B-6 Loans and promptly following such conversion, repay Term B-6 Loans held by any consenting lender in an amount equal to 10% of the amount of revolver commitments that such lender elected to convert; (iii) extend the maturity of original maturity revolver commitments held by consenting lenders who elect not to convert their commitments to term loans, from January 28, 2014 to January 28, 2017 and increase the interest rate and the undrawn commitment fee with respect to such extended revolver commitments and upon the effectiveness of such extension, terminate 20% of extended revolver commitments on a pro rata basis; and (iv) modify certain other provisions of the credit facilities. In addition to the foregoing, the CEOC may elect to extend and/or convert additional term loans and/or revolver commitments from time to time.

After giving effect to the credit agreement amendment, there are \$2,113.1 million of existing B-1, B-2 and B-3 term loans outstanding with a maturity of January 28, 2015, \$1,862.9 million of extended Term B-6 Loans outstanding with a maturity of January 28, 2018, \$25.0 million of extended revolver commitments with a maturity of January 28, 2017 and \$1,104.5 million of existing revolving commitments outstanding with a maturity of January 28, 2014. The Term B-6 Loans will have a springing maturity to April 14, 2017 if more than \$250.0 million of the Company’s 11.25% Senior Secured Notes due 2017 remain outstanding on April 14, 2017. As part of the amendment, CEOC’s existing tranche of \$1,222.7 million of B-5 term loans maturing on January 28, 2018 was also modified to provide for the same springing maturity that applies to the Term B-6 Loans.

The following table summarizes the annual maturities of the face value of our long-term debt as of December 31, 2011, and after consideration of the 2012 debt offerings and the credit agreement amendment discussed above.

<u>(in millions)</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Thereafter</u>	<u>Total</u>
Actual ⁽¹⁾	\$45.3	\$170.7	\$516.0	\$6,519.4	\$2,181.5	\$ 9,655.6	\$19,088.5
As adjusted ⁽¹⁾	23.5	148.9	494.2	3,661.6	2,023.8	13,062.0	19,414.0

⁽¹⁾ Maturities assume the extension of PHW Las Vegas senior secured loan from 2013 to 2015.

We cannot assure you that our business will generate sufficient cash flows from operations, or that future borrowings will be available to us, to fund our liquidity needs and pay our indebtedness. If we are unable to meet our liquidity needs or pay our indebtedness when it is due, we may have to reduce or delay refurbishment and expansion projects, reduce expenses, sell assets, or attempt to restructure our debt. Any such actions could negatively impact our competitive position and revenue generation. In addition, we have pledged a significant portion of our assets as collateral under certain of our debt agreements, and, if any of those lenders accelerate the repayment of borrowings, there can be no assurance that we will have sufficient assets to repay our indebtedness.

Capital Resources

The majority of our long-term debt is due in 2015 and beyond. Payments of short-term debt obligations and other commitments are expected to be made from operating cash flows and from borrowings under our established debt programs. Long-term obligations are expected to be paid through operating cash flows, refinancing of debt, or, if necessary, additional debt offerings.

The following table presents our outstanding debt, including intercompany debt as of December 31, 2011 and 2010:

<u>Detail of Debt (dollars in millions)</u>	<u>Final Maturity</u>	<u>Rate(s) at Dec 31, 2011</u>	<u>Face Value at Dec 31, 2011</u>	<u>Book Value at Dec 31, 2011</u>	<u>Book Value at Dec. 31, 2010</u>
Credit Facilities and Secured Debt					
Term Loans					
Term Loans B1-B3	2015	3.29%-3.58%	\$ 5,000.5	\$ 5,000.5	\$ 5,815.1
Term Loan B4	2016	9.50%	980.0	961.2	968.3
Term Loan B5	2018	4.67 %	1,222.7	1,218.2	—
Revolving Credit Facility	2014	4.75 %	155.0	155.0	—
Senior Secured Notes	2017	11.25 %	2,095.0	2,054.6	2,049.7
Second-Priority Senior Secured Notes	2018	12.75 %	750.0	742.1	741.3
Second-Priority Senior Secured Notes	2018	10.00 %	4,553.1	2,131.2	2,033.3
Second-Priority Senior Secured Notes	2015	10.00 %	214.8	164.2	156.2
Chester Downs term loan	2016	12.38 %	229.9	221.3	237.5
PHW Las Vegas senior secured loan	2015*	3.14 %	515.6	417.9	423.8
Linq/Octavius Senior Secured Loan	2017	9.25 %	450.0	445.9	—
Other, various maturities	Various	4.25%-6.0%	—	—	1.4
Subsidiary-guaranteed debt					
Senior Notes	2016	10.75%	478.6	478.6	478.6
Senior PIK Toggle Notes	2018	10.75%/11.5%	11.7	11.7	10.5
Unsecured Senior Debt					
5.375%	2013	5.375%	125.2	108.6	101.6
7.0%	2013	7.0%	0.6	0.6	0.6
5.625%	2015	5.625%	791.8	624.9	588.8
6.5%	2016	6.5%	573.2	439.3	418.5
5.75%	2017	5.75%	538.8	375.7	357.9
Floating Rate Contingent Convertible Senior Notes	2024	0.40 %	0.2	0.2	0.2
Other Unsecured Borrowings					
5.3% special improvement district bonds	2037	5.3%	65.7	65.7	67.1
LIBOR plus 3.0% **	2014	3.28 %	322.1	322.1	500.0
Other	Various	Various	0.4	0.4	1.0
Capitalized Lease Obligations					
1.10%-9.49%	to 2014	1.10%-9.49%	13.6	13.6	9.4
Total debt			19,088.5	15,953.5	14,960.8
Current portion of long-term debt			(45.3)	(40.4)	(55.6)
Long-term debt			<u>\$ 19,043.2</u>	<u>\$ 15,913.1</u>	<u>\$ 14,905.2</u>

* On October 26, 2011, we exercised the option to extend the PHW Las Vegas senior secured loan to 2013. The loan contains an additional extension option to move its maturity from 2013 to 2015, subject to certain conditions described below.

** Note payable to Caesars Entertainment.

Book values of debt as of December 31, 2011 are presented net of unamortized discounts, net of unamortized premiums, of \$3,135.0 million. As of December 31, 2010, book values are presented net of unamortized discounts of \$3,333.8 million.

Our current maturities of debt include required interim principal payments on certain Term Loans, the Chester Downs term loans, the special improvement district bonds, and capitalized lease obligations.

As of December 31, 2011, aggregate annual principal maturities for the four years subsequent to 2012, assuming all conditions to extending the maturity of the PHW Las Vegas senior secured loan are met and such maturity is extended, were as follows: 2013, \$170.7 million; 2014, \$516.0 million; 2015, \$6,519.4 million; and 2016, \$2,181.5 million.

In August 2008, Caesars Entertainment Corporation and CEOC entered into an agreement whereby Caesars Entertainment established a revolving credit facility in favor of CEOC pursuant to which Caesars Entertainment will make one or more unsecured loans to CEOC in a maximum principal amount not to exceed \$200.0 million outstanding at any time. During the fourth quarter 2010, the maximum principal amount was increased to \$500.0 million outstanding at any time. The entire outstanding amount, plus any accrued and unpaid interest, matures on January 29, 2014, and bears interest at a rate per annum equal to LIBOR, as defined in the CEOC Credit Agreement, plus 3.0%. Interest is payable annually in arrears or, at CEOC's election such interest may be added to the loan balance owed to Caesars Entertainment. There was \$500.0 million outstanding under the agreement at December 31, 2010. On February 24, 2011, the CEC Board of Directors approved an increase in the maximum amount to \$750.0 million. During 2011, Caesars Entertainment contributed \$220.8 million of the previously outstanding loan balance resulting in a non-cash transaction that increased Caesars Entertainment's equity in CEOC. Additionally, Caesars Entertainment transferred certain trademark assets to CEOC resulting in a non-cash transaction of \$20.5 million. The above non-cash transactions combined with cash proceeds from intercompany borrowings resulted in a net reduction of approximately \$177.9 million during 2011, and \$322.1 million outstanding under the agreement at December 31, 2011.

Credit Agreement

In connection with the Acquisition, CEOC entered into the senior secured credit facilities (the "Credit Facilities"). This financing is neither secured nor guaranteed by Caesars Entertainment's other direct, wholly-owned subsidiaries.

On May 20, 2011, CEOC amended its Credit Facilities to, among other things: (i) allow CEOC to buy back loans from individual lenders at negotiated prices at any time, which may be less than par, (ii) allow CEOC to extend the maturity of term loans or revolving commitments, as applicable, and for CEOC to otherwise modify the terms of loans or revolving commitments in connection with such an extension, and (iii) modify certain other provisions of the credit facilities. CEOC also extended its Credit Facilities by (i) converting \$799.4 million of B-1, B-2 and B-3 term loans held by consenting lenders to B-5 term loans with an extended maturity date of January 28, 2018 and a higher interest rate with respect to such extended term loans (the "Extended Term Loans") and (ii) converting \$423.3 million of revolver commitments held by consenting lenders into Extended Term Loans.

As of December 31, 2011, our Credit Facilities provide for senior secured financing of up to \$8,410.0 million, consisting of (i) senior secured term loan facilities in an aggregate principal amount of \$7,203.2 million with \$5,000.5 million maturing on January 28, 2015, \$980.0 million maturing on October 31, 2016 (the \$980.0 million borrowing defined as the "Incremental Loans"), and \$1,222.7 million maturing on January 28, 2018 and (ii) a senior secured revolving credit facility in an aggregate principal amount of up to \$1,206.8 million, maturing January 28, 2014, including both a letter of credit sub-facility and a swingline loan sub-facility. The term loans under the Credit Facilities require scheduled quarterly payments of \$5.9 million, with the balance due at maturity. A total of \$7,358.2 million face amount of borrowings were outstanding under the Credit Facilities as of December 31, 2011, with \$113.5 million of the revolving credit facility committed to outstanding letters of credit. After consideration of these borrowings and letter of credit commitments, \$938.2 million of additional borrowing capacity was available to the Company under its revolving credit facility as of December 31, 2011.

On March 1, 2012, CEOC amended its Credit Facilities.

PHW Las Vegas senior secured loan

In February 2010, CEOC acquired 100% of the equity interests of PHW Las Vegas, which owns the Planet Hollywood Resort and Casino located in Las Vegas, Nevada. In connection with this transaction, PHW Las Vegas assumed a \$554.3 million, face value, senior secured loan, and a subsidiary of CEOC canceled certain debt issued by PHW Las Vegas' predecessor entities. The outstanding amount is secured by the assets of PHW Las Vegas and is non-recourse to other subsidiaries of the Company.

In connection with the transaction and the assumption of debt, PHW Las Vegas entered into the Amended and Restated Loan Agreement with Wells Fargo Bank, N.A., as trustee for The Credit Suisse First Boston Mortgage Securities Corp. Commercial Mortgage Pass-Through Certificates, Series 2007-TFL2 ("Lender"). On October 26, 2011, we exercised the option to extend the PHW Las Vegas senior secured loan to 2013. The loan contains an additional extension option which if exercised, would extend its maturity until April 2015. The conditions to extend the maturity date are (i) no default or event of default on the date that notice of the extension is given and on the first extended maturity date of December 9, 2013, (ii) notice of the election of the extension, (iii) the purchase of an interest rate cap (or provision of an acceptable alternative letter of credit or other support) with a strike price such that our Debt

Service Coverage Ratio is at least 1.10:1.00 as of the first extended maturity date, and (iv) the ratio of (a) the Adjusted Net Cash Flow (defined as gross income from operations less operating expenses less 3% of gross income from operations) for the trailing twelve calendar month period to (b) the outstanding principal balance of the loan as of the first extended maturity date is not less than 9%.

PHW Las Vegas is an unrestricted subsidiary of CEOC and therefore not a borrower under CEOC's Credit Facilities. A subsidiary of CEOC manages the property for PHW Las Vegas for a fee.

PHW Las Vegas may, at its option, voluntarily prepay the loan in whole or in part upon twenty (20) days prior written notice to Lender. PHW Las Vegas is required to prepay the loan in (i) the amount of any insurance proceeds received by Lender for which Lender is not obligated to make available to PHW Las Vegas for restoration in accordance with the terms of the Amended and Restated Loan Agreement, (ii) the amount of any proceeds received from the operator of the timeshare property adjacent to the Planet Hollywood Resort and Casino, subject to the limitations set forth in the Amended and Restated Loan Agreement and (iii) the amount of any excess cash remaining after application of the cash management provisions of the Amended and Restated Loan Agreement.

Octavius and Linq Projects

On April 25, 2011, the Company, together with certain indirect wholly-owned subsidiaries of CEOC (the "Borrowers") entered into a credit agreement (the "Octavius/Linq Credit Agreement") pursuant to which the Borrowers incurred financing to complete the Development. The Octavius/Linq Credit Agreement provides for a \$450.0 million senior secured term facility (the "Term Facility") with a six-year maturity, which is secured by all material assets of the Borrowers. The proceeds of the Term Facility were funded during the second quarter and are included as restricted cash on the Company's balance sheet until drawn to pay for costs incurred in the Development. These funds are being used by the Borrowers to finance the Development and to pay fees and expenses incurred in connection with the Term Facility and the transactions related thereto.

As a condition to the provision of the Term Facility, the Company provided a completion guarantee (the "Completion Guaranty") with respect to the Development, which guarantees completion of the construction of the Development, availability of contemplated working capital and receipt of material permits and licenses necessary to open and operate the Development. The maximum liability of the Company under the completion guarantee is \$25.0 million in respect of Project Octavius and \$75.0 million in respect of Project Linq.

In connection with the Development and the Term Facility, the Company contributed the existing Octavius Tower and related assets to one of the Borrowers, the book value of which was \$312.0 million. In August 2011, the Company completed the contribution of the existing O'Shea's casino (adjacent to the Flamingo Las Vegas) and related real property and other assets comprising the components of Project Linq to one of the Borrowers, the book value of which was \$319.2 million. In connection with Project Octavius, one of the Borrowers leases the Octavius Tower to a wholly-owned subsidiary of CEOC. Upon completion of Project Linq, one of the Borrowers will lease the gaming space in Project Linq to a wholly-owned subsidiary of CEOC. The total lease payments will be \$50.0 million annually once the Development is open. As described above, CEOC has guaranteed certain of the obligations of the lessees under the Project Octavius and Project Linq leases.

Pursuant to the Octavius/Linq Credit Agreement, the Company is required to make cash contributions to the Borrowers from time to time to fund a total equity commitment to the Development of \$76.0 million. In addition, from time to time, the Company may be required to make additional cash contributions to the Borrowers to fund certain portions of the Development upon the occurrence of certain conditions. In addition to potential contributions pursuant to the Completion Guaranty, the Company has guaranteed all payments of interest under the Term Facility until the commencement of operations of the Octavius Tower and Project Linq and guaranteed the performance of the Borrowers of the first lien leverage ratio maintenance covenant (the "Performance Guarantee") by agreeing, upon certain conditions, to make cash equity contributions to the Borrowers from time to time pursuant to the terms of the Term Facility. The maximum liability of the Company under the performance guarantee is \$50.0 million. Except in the circumstances described above, neither the Company nor CEOC has any material obligations under the Term Facility, and the Term Facility is non-recourse to the Company or to CEOC.

The Octavius/Linq Credit Agreement requires that the Borrowers maintain certain reserve funds in respect of furniture, fixtures, and equipment, capital improvements, interest service, taxes and insurance. Amounts deposited into the specified reserve funds represent restricted cash. In addition the Octavius/Linq Credit Agreement requires up to 50.0% of excess cash flow (as defined in the agreement), depending on the Senior Secured Leverage Ratio for that period, be applied to prepay the Term Facility.

Other Financing Transactions

On October 8, 2010, Chester Downs and Marina LLC (“Chester Downs”), a majority-owned subsidiary of CEOC and owner of Harrah’s Chester, amended its existing senior secured term loan facility to obtain an additional \$40.0 million term loan. The additional loan has substantially the same terms as the existing term loan with respect to interest rates, maturity, and security. On February 3, 2012, Chester Downs issued \$330.0 million of notes and repaid its term loan.

Exchange Offers, Debt Repurchases and Open Market Purchases

From time to time, we may retire portions of our outstanding debt in open market purchases, privately negotiated transactions, or otherwise. These purchases will be funded through available cash from operations and from our established debt programs. Such purchases are dependent on prevailing market conditions, the Company’s liquidity requirements, contractual restrictions and other factors.

Issuances and Redemptions

During the second quarter of 2010, CEOC completed the offering of \$750.0 million aggregate principal amount of 12.75% second-priority senior secured notes due 2018 and used the proceeds of this offering to redeem or repay the following outstanding debt:

<u>Debt (dollars in millions)</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Face Value</u>
5.5% Senior Notes	2010	5.5%	\$ 191.6
8.0% Senior Notes	2011	8.0%	13.2
8.125% Senior Subordinated Notes	2011	8.125%	12.0
Revolving Credit Facility	2014	3.23%-3.25%	525.0

In connection with the retirement of the outstanding senior and senior subordinated notes above, CEOC recorded a pre-tax loss of \$4.7 million during the second quarter of 2010.

In June 2010, Caesars announced an agreement under which affiliates of each of Apollo, TPG, and Paulson & Co. Inc. (“Paulson”) were to exchange approximately \$1,118.3 million face amount of debt for approximately 15.7% of the common equity of Caesars Entertainment, subject to regulatory approvals and certain other conditions. In connection with the transaction, Apollo, TPG, and Paulson purchased approximately \$835.4 million, face amount, of CEOC notes that were held by another subsidiary of Caesars Entertainment for aggregate consideration of approximately \$557.0 million, including accrued interest. The notes that were purchased, together with \$282.9 million face amount of notes they had previously acquired, were exchanged for equity in the fourth quarter of 2010. The notes exchanged for equity are held by a subsidiary of Caesars Entertainment and remain outstanding for purposes of CEOC. The exchange was accounted for as an equity transaction.

In February 2012, CEOC completed a private-placement note offering and amended its Credit Facilities.

Interest and Fees

Borrowings under the Credit Facilities, other than borrowings under the Incremental Loans and the Extended Term Loans, bear interest at a rate equal to the then-current LIBOR rate, or at a rate equal to the alternate base rate, in each case plus an applicable margin. As of December 31, 2011, the Credit Facilities, other than borrowings under the Incremental Loans and the Extended Term Loans, bore interest at LIBOR plus 300 basis points for the term loans. The revolver loan bore interest at LIBOR plus 300 basis points or the alternate base rate plus 200 basis points. The swingline loan bore interest at the alternate base rate plus 150 basis points.

Borrowings under the Incremental Loans bear interest at a rate equal to either the alternate base rate or the greater of (i) the then-current LIBOR rate or (ii) 2.0%; in each case plus an applicable margin. At December 31, 2011, borrowings under the Incremental Loans bore interest at the minimum base rate of 2.0%, plus 750 basis points.

Borrowings under the Extended Term Loans bear interest at a rate equal to either the alternate base rate or the then-current LIBOR rate, plus an applicable margin. At December 31, 2011, borrowings under the Extended Term Loans bore interest at LIBOR plus 425 basis points.

In addition, on a quarterly basis, we are required to pay each lender (i) a commitment fee in respect of any unborrowed amounts under the revolving credit facility and (ii) a letter of credit fee in respect of the aggregate face amount of outstanding letters of credit under the revolving credit facility. As of December 31, 2011, the Credit Facilities bore a commitment fee for unborrowed amounts of 50 basis points. Certain of the interest rates changed in conjunction with the amendment to the CEOC Credit Facilities, which closed March 1, 2012.

Our Senior Secured Notes, including the Second-Priority Senior Secured Notes, and our unsecured debt, which is fixed-rate debt, have semi-annual interest payments, with the majority of those payments on June 15 and December 15.

The amount outstanding under the PHW Las Vegas senior secured loan bears interest at a rate per annum equal to LIBOR plus 2.859%. A subsidiary of CEOC owns interest-only participations in a portion of the PHW Las Vegas senior secured loan that bear interest at a fixed rate equal to 1.59% per year.

The Linq/Octavius Term Facility bears interest at a rate equal to either the alternate base rate, plus an applicable margin or the greater of (i) the then-current LIBOR rate or (ii) 1.25%, in each case plus an applicable margin. At December 31, 2011, borrowings under the agreement bore interest at the minimum base rate of 1.25%, plus 800 basis points.

Collateral and Guarantors

CEOC's Credit Facilities are guaranteed by Caesars Entertainment, and are secured by a pledge of CEOC's capital stock, and by substantially all of the existing and future property and assets of CEOC and its material, wholly-owned domestic subsidiaries, including a pledge of the capital stock of CEOC's material, wholly-owned domestic subsidiaries and 65.0% of the capital stock of the first-tier foreign subsidiaries, in each case subject to exceptions. The following casino properties have mortgages under the Credit Facilities:

<u>Las Vegas</u>	<u>Atlantic City</u>	<u>Louisiana/Mississippi</u>	<u>Iowa/Missouri</u>
Caesars Palace	Bally's Atlantic City	Harrah's New Orleans	Harrah's St. Louis
Bally's Las Vegas	Caesars Atlantic City	(Hotel only)	Harrah's Council Bluffs
Imperial Palace	Showboat Atlantic City	Harrah's Louisiana Downs	Horseshoe Council Bluffs/
Bill's Gamblin' Hall & Saloon		Horseshoe Bossier City	Bluffs Run
		Harrah's Tunica	
		Horseshoe Tunica	
		Tunica Roadhouse Hotel & Casino	
<u>Illinois/Indiana</u>	<u>Other Nevada</u>		
Horseshoe Southern Indiana	Harrah's Reno		
Harrah's Metropolis	Harrah's Lake Tahoe		
Horseshoe Hammond	Harveys Lake Tahoe		

Additionally, certain undeveloped land in Las Vegas also is mortgaged.

In connection with PHW Las Vegas' Amended and Restated Loan Agreement, Caesars Entertainment entered into a Guaranty Agreement (the "Guaranty") for the benefit of the Lender pursuant to which Caesars Entertainment guaranteed to the Lender certain recourse liabilities of PHW Las Vegas. Caesars Entertainment's maximum aggregate liability for such recourse liabilities is limited to \$30.0 million provided that such recourse liabilities of PHW Las Vegas do not arise from (i) events, acts, or circumstances that are actually committed by, or voluntarily or willfully brought about by Caesars Entertainment or (ii) event, acts, or circumstances (regardless of the cause of the same) that provide actual benefit (in cash, cash equivalent, or other quantifiable amount) to the Company, to the full extent of the actual benefit received by the Company. Pursuant to the Guaranty, Caesars Entertainment is required to maintain a net worth or liquid assets of at least \$100.0 million.

Restrictive Covenants and Other Matters

The Credit Facilities require compliance on a quarterly basis with a maximum net senior secured first lien debt leverage test. In addition, the Credit Facilities include negative covenants, subject to certain exceptions, restricting or limiting CEOC's ability and the ability of its restricted subsidiaries to, among other things: (i) incur additional debt; (ii) create liens on certain assets; (iii) enter into sale and lease-back transactions; (iv) make certain investments, loans and advances; (v) consolidate, merge, sell, or otherwise dispose of all or any part of its assets or to purchase, lease, or otherwise acquire all or any substantial part of assets of any other person; (vi) pay dividends or make distributions or make other restricted payments; (vii) enter into certain transactions with its affiliates; (viii) engage in any business other than the business activity conducted at the closing date

of the loan or business activities incidental or related thereto; (ix) amend or modify the articles or certificate of incorporation, by-laws and certain agreements or make certain payments or modifications of indebtedness; and (x) designate or permit the designation of any indebtedness as “Designated Senior Debt.”

Caesars Entertainment is not bound by any financial or negative covenants contained in CEOC’s credit agreement, other than with respect to the incurrence of liens on and the pledge of its stock of CEOC.

All borrowings under the senior secured revolving credit facility are subject to the satisfaction of customary conditions, including the absence of a default, the accuracy of representations and warranties, and the requirement that such borrowing does not reduce the amount of obligations otherwise permitted to be secured under our new senior secured credit facilities without ratably securing the retained notes.

The PHW Las Vegas senior secured loan requires that the Company maintain certain reserve funds in respect of furniture, fixtures, and equipment, capital improvements, interest service, taxes, and insurance. Certain amounts deposited into the specified reserve funds represent restricted cash.

See the “Debt Covenant Compliance” section that follows for details regarding certain covenants contained in CEOC’s credit agreement.

The indenture and other agreements governing our cash pay debt and PIK toggle debt limit CEOC’s (and most of its subsidiaries’) ability to among other things: (i) incur additional debt or issue certain preferred shares; (ii) pay dividends or make distributions in respect of our capital stock or make other restricted payments; (iii) make certain investments; (iv) sell certain assets; (v) with respect to CEOC only, engage in any business or own any material asset other than all of the equity interest of CEOC so long as certain investors hold a majority of the notes; (vi) create or permit to exist dividend and/or payment restrictions affecting its restricted subsidiaries; (vii) create liens on certain assets to secure debt; (viii) consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; (ix) enter into certain transactions with its affiliates; and (x) designate its subsidiaries as unrestricted subsidiaries. Subject to certain exceptions, the indenture governing the notes and the agreements governing the other cash pay debt and PIK toggle debt will permit us and our restricted subsidiaries to incur additional indebtedness, including secured indebtedness.

Derivative Instruments

Derivative Instruments – Interest Rate Swap Agreements

We use interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. As of December 31, 2011 we have entered into eight interest rate swap agreements for notional amounts totaling \$5,750.0 million. The difference to be paid or received under the terms of the interest rate swap agreements is accrued as interest rates change and recognized as an adjustment to interest expense for the related debt. Changes in the variable interest rates to be paid or received pursuant to the terms of the interest rate swap agreements will have a corresponding effect on future cash flows. The major terms of the interest rate swap agreements as of December 31, 2011 are as follows:

<u>Effective Date</u>	<u>Notional Amount (in millions)</u>	<u>Fixed Rate Paid</u>	<u>Variable Rate Received as of December 31, 2011</u>	<u>Next Reset Date</u>	<u>Maturity Date</u>
April 25, 2011	\$ 250.0	1.351%	0.294%	January 25, 2012	January 25, 2015
April 25, 2011	250.0	1.347%	0.294%	January 25, 2012	January 25, 2015
April 25, 2011	250.0	1.350%	0.294%	January 25, 2012	January 25, 2015
January 25, 2011	1,000.0	3.233%	0.418%	January 25, 2012	January 25, 2015
April 25, 2011	1,000.0	3.315%	0.418%	January 25, 2012	January 25, 2015
January 25, 2011	1,000.0	3.915%	0.418%	January 25, 2012	January 25, 2015
April 25, 2011	1,000.0	3.385%	0.418%	January 25, 2012	January 25, 2015
January 25, 2011	1,000.0	3.935%	0.418%	January 25, 2012	January 25, 2015

The variable rate received on our interest rate swap agreements did not materially change as a result of the January 25, 2012 reset.

During the second quarter of 2011, the Company completed transactions to amend and extend certain swap contracts. Prior to the amendment, a \$1,000.0 million swap had a fixed payment rate of 4.172% and a maturity date of April 25, 2012. Two

\$2,000.0 million swaps were split into four \$1,000.0 million tranches. The previous terms included fixed payment rates of 4.276% and 4.263% and maturity dates of April 25, 2013. The amended payment rates and maturity dates are shown in the table above.

In December 2011, the Company amended the terms of two \$1,000.0 million swap contracts with a corresponding change in the elected interest rate on \$2,000.0 million of term loans. Effective January 25, 2012 through January 25, 2014, the variable rate received on the swaps changes from three-month to one-month LIBOR, and the fixed payment rate is reduced by 12 basis points. In connection with the amendment, the Company determined that it was not probable that previously forecasted transactions would occur on all interest rate swaps. Therefore, we removed the cash flow hedging designation for all of our interest rate swap agreements and were required to reclassify \$183.2 million of deferred losses recorded in AOCL into interest expense. Prior to removing the cash flow hedging designation, we amortized \$51.2 million of deferred losses frozen in AOCL to interest expense for the year ended December 31, 2011. Any future changes in fair value of the swap agreements will be recognized in interest expense during the period in which the changes in value occur. In January 2012, the Company amended the terms of three \$1,000.0 million notional value interest rate swap contracts.

Derivative Instruments – Interest Rate Cap Agreement

On April 5, 2010, as required under the PHW Las Vegas Amended and Restated Loan Agreement, we entered into an interest rate cap agreement to partially hedge the risk of future increases in the variable rate of the PHW Las Vegas senior secured loan. The interest rate cap agreement was for a notional amount of \$554.3 million at a LIBOR cap rate of 5.0% and matured on December 9, 2011. To give proper consideration to the prepayment requirements of the PHW Las Vegas senior secured loan, we designated \$525.0 million of the \$554.3 million notional amount of the interest rate cap as a cash flow hedging instrument for accounting purposes. On May 1, 2011, we removed the cash flow hedging designation for the interest rate cap agreement. On December 9, 2011, we entered into a new interest rate cap agreement for a notional amount of \$517.7 million at a LIBOR cap rate of 7.0% and matures on December 9, 2013. Any change in fair value is recognized in interest expense during the period in which the change in value occurs.

Derivative Instruments – Impact on Financial Statements

The following table represents the fair values of derivative instruments in the Consolidated Condensed Balance Sheets as of December 31, 2011 and 2010:

(In millions)	Asset Derivatives				Liability Derivatives			
	2011		2010		2011		2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments								
Interest Rate Swaps		\$ —		\$ —		\$ —	Accrued expenses	\$ (21.6)
Interest Rate Swaps			Deferred charges and other	11.6			Deferred credits and other	(305.5)
Subtotal		—		11.6		—		(327.1)
Derivatives not designated as hedging instruments								
Interest Rate Swaps					Deferred credits and other	(336.1)	Deferred credits and other	(32.2)
Interest Rate Cap		—		—		—		—
Total Derivatives		<u>\$ —</u>		<u>\$ 11.6</u>		<u>\$ (336.1)</u>		<u>\$ (359.3)</u>

The following table represents the effect of derivative instruments in the Consolidated Condensed Statements of Operations for the years ended December 31, 2011 and 2010 for amounts transferred into or out of AOCL:

(In millions)	Amount of (Gain) or Loss Recognized in AOCL (Effective Portion)		Location of (Gain) or Loss Reclassified From AOCL Into Net Loss (Effective Portion)	Amount of (Gain) or Loss Reclassified from AOCL into Net Loss (Effective Portion)		Location of (Gain) or Loss Recognized in Net Loss (Ineffective Portion)	Amount of (Gain) or Loss Recognized in Net Loss (Ineffective Portion)	
	2011	2010		2011	2010		2011	2010
<u>Derivatives designated as hedging instruments</u>								
Interest Rate Contracts	\$ 60.7	\$ 58.9	Interest Expense	\$ 238.6	\$ 9.7	Interest Expense	\$ (56.7)	\$ (81.2)

In addition to the impact on interest expense from amounts reclassified from AOCL, the difference to be paid or received under the terms of the interest rate swap agreements is recognized as interest expense and is paid quarterly. This cash settlement portion of the interest rate swap agreements increased interest expense for the years ended December 31, 2011, 2010 and 2009 by approximately \$201.1 million and \$265.8 million, respectively.

A change in interest rates on variable-rate debt will impact our financial results. For example, assuming a constant outstanding balance for our variable-rate debt, excluding the \$5,750.0 million of variable-rate debt for which our interest rate swap agreements are designated as hedging instruments for accounting purposes, for the next 12 months, a hypothetical 1% increase in corresponding interest rates would increase interest expense for the twelve months following December 31, 2011 by approximately \$21.6 million. At December 31, 2011, our weighted average USD LIBOR rate for our variable rate debt was 0.475%. A hypothetical reduction of this rate to 0% would decrease interest expense for the next 12 months by approximately \$10.2 million. At December 31, 2011, our variable-rate debt, excluding the aforementioned \$5,750.0 million of variable-rate debt hedged using interest rate swap agreements, represents 16% of our total debt, while our fixed-rate debt is 84% of our total debt.

GUARANTEES OF THIRD PARTY DEBT AND OTHER OBLIGATIONS AND COMMITMENTS

The table below summarizes our contractual obligations and other commitments as of December 31, 2011, prior to consideration of the 2012 capital transactions mentioned above.

Contractual Obligations ^(a)	Payments due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
			(In millions)		
Debt, face value ^(c)	\$19,074.9	\$ 38.5	\$ 679.9	\$ 8,700.9	\$ 9,655.6
Capital lease obligations	13.6	6.8	6.8	—	—
Estimated interest payments ^{(b) (c)}	8,098.4	1,561.2	3,065.2	2,223.8	1,248.2
Operating lease obligations	2,157.9	79.3	138.9	121.2	1,818.5
Purchase order obligations	37.0	37.0	—	—	—
Community reinvestment	81.4	6.4	13.0	12.8	49.2
Construction commitments	266.8	198.7	68.1	—	—
Entertainment obligations ^(d)	222.6	54.0	75.4	37.3	55.9
Letters of credit	113.5	113.5	—	—	—
Minimum payments to tribes ^(e)	86.6	13.8	26.3	24.0	22.5
Other contractual obligations	381.1	67.8	70.8	51.1	191.4
	<u>\$30,533.8</u>	<u>\$ 2,177.0</u>	<u>\$4,144.4</u>	<u>\$11,171.1</u>	<u>\$ 13,041.3</u>

- ^(a) In addition to the contractual obligations disclosed in this table, we have unrecognized tax benefits that, based on uncertainties associated with the items, we are unable to make reasonably reliable estimates of the period of potential cash settlements, if any, with taxing authorities.
- ^(b) Estimated interest for variable-rate debt included in this table is based on rates at December 31, 2011. Estimated interest includes the estimated impact of our interest rate swap and interest rate cap agreements.
- ^(c) Debt maturities and estimated interest assumes the extension of the maturity of the PHW Las Vegas senior secured loan from 2013 to 2015, resulting in a net increase of interest of approximately \$30.7 million.
- ^(d) Entertainment obligations represent obligations to pay performers that have contracts for future performances at one or more of our properties.
- ^(e) The agreements pursuant to which we manage casinos on Indian lands contain provisions required by law that provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled repayments of borrowings for development costs and over the management fee earned and paid to the manager. In the event that insufficient cash flow is generated by the operations to fund this payment, we must pay the shortfall to the tribe. Subject to certain limitations as to time, such advances, if any, would be repaid to us in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. Our aggregate monthly commitment for the minimum guaranteed payments pursuant to the contracts for the three managed Indian-owned facilities now open is \$1.2 million per month. Each of these casinos currently generates sufficient cash flows to cover all of its obligations, including its debt service.

DEBT COVENANT COMPLIANCE

Certain of our borrowings have covenants and requirements that include, among other things, the maintenance of specific levels of financial ratios. Failure to comply with these covenants can result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions. Specifically, CEOC's senior secured credit facilities require CEOC to maintain a senior secured leverage ratio of no more than 4.75 to 1.0, which is the ratio of senior first priority secured debt to LTM Adjusted EBITDA—Pro Forma—CEOC Restricted. This ratio excludes \$2,095.0 million of first priority senior secured notes and up to \$350.0 million aggregate principal amount of consolidated debt of subsidiaries that are not wholly owned. This ratio also reduces the amount of senior first priority secured debt by the amount of unrestricted cash on hand. As of December 31, 2011, CEOC's senior secured leverage ratio was 4.32 to 1.0.

In addition, certain covenants contained in our senior secured credit facilities and indentures covering our second priority senior secured notes and first priority senior secured notes restrict our ability to take certain actions such as incurring additional

debt or making acquisitions if we are unable to meet a fixed charge coverage ratio (LTM Adjusted EBITDA—Pro Forma—CEOC Restricted to fixed charges) of at least 2.0 to 1.0, a total first priority secured leverage ratio (first priority senior secured debt to LTM Adjusted EBITDA—Pro Forma—CEOC Restricted) of no more than 4.5 to 1.0 and/or a consolidated leverage ratio (consolidated total debt to LTM Adjusted EBITDA—Pro Forma—CEOC Restricted) of no more than 7.25 to 1.0. As of December 31, 2011, our total first priority secured leverage ratio and consolidated leverage ratio were 5.80 to 1.0 and 11.15 to 1.0, respectively. For the year ended December 31, 2011, our earnings were insufficient to cover fixed charges by \$342.3 million. For purposes of calculating the fixed charge coverage ratio, fixed charges includes consolidated interest expense less interest income and any cash dividends paid on preferred stock (other than amounts eliminated in consolidation). For purposes of calculating the total first priority secured leverage ratio and the consolidated leverage ratio, the amounts of first priority senior secured debt and consolidated total debt, respectively, are reduced by the amount of unrestricted cash on hand. The covenants that provide for the fixed charge coverage ratio, total first priority secured leverage ratio and consolidated leverage ratio described in this paragraph are not maintenance covenants.

We believe we are in compliance with our credit agreement and indentures, including the Senior Secured Leverage Ratio, as of December 31, 2011. If our LTM Adjusted EBITDA—Pro Forma—CEOC Restricted were to decline significantly from the level achieved at December 31, 2011, it could cause us to exceed the Senior Secured Leverage Ratio and could be an Event of Default under our credit agreement. However, we could implement certain actions in an effort to minimize the possibility of a breach of the Senior Secured Leverage Ratio, including reducing payroll and other operating costs, deferring or eliminating certain maintenance, delaying or deferring capital expenditures, or selling assets. In addition, under certain circumstances, our credit agreement allows us to apply the cash contributions received by CEOC as a capital contribution to cure covenant breaches. However, there is no guarantee that such contributions will be able to be secured.

Supplemental Discussion of the Financial Results of Caesars Entertainment's Commercial Mortgage-Backed Securities Related Properties

The properties securing Caesars Entertainment's commercial mortgage-backed securities ("CMBS Properties") originally borrowed \$6,500.0 million of CMBS financing (the "CMBS Financing"). The CMBS Financing is secured by the assets of the CMBS Properties and certain aspects of the financing are guaranteed by Caesars Entertainment. The CMBS properties are Harrah's Las Vegas, Rio, Flamingo Las Vegas, Harrah's Atlantic City, Paris Las Vegas, and Harrah's Laughlin.

In this discussion, the words "we" and "our" refer to the CMBS Properties. We are providing this financial information pursuant to the Second Amended and Restated Loan Agreement, dated as of August 31, 2010 (the "CMBS Loan Agreement"), related to the CMBS Financing.

In August 2010, in conjunction with the amendment of the CMBS Financing, certain trademark assets were transferred from one of the subsidiaries of CEOC to the CMBS properties. This transfer of trademarks, with a book value of \$45.3 million, was not properly recorded in the CMBS properties' unaudited Condensed Combined Balance Sheets at December 31, 2010. Trademark values have been properly presented in the CMBS properties' unaudited Condensed Combined Balance Sheet as of December 31, 2011 included herein. This revision resulted in an increase in intangible assets other than goodwill and total equity in the amount of the book value of the trademarks. The error, which we have determined is not material to this Exhibit 99.2 for all periods, had no impact on the CMBS properties' unaudited Condensed Combined Statements of Operations or the CMBS properties' unaudited Condensed Combined Statements of Cash Flows included herein.

Subsequent to the filing of our quarterly report on Form 10-Q for the quarter and nine-months ended September 30, 2011, including Exhibit 99.2 thereto, we identified certain deferred tax liabilities primarily related to transaction costs incurred in connection with the 2008 acquisition of Caesars Entertainment, which had been incorrectly recorded in 2008, and not properly adjusted upon the 2009 receipt of the final transaction cost reports. For the financial statements of the CMBS Properties, these errors were corrected in the appropriate years in which the transactions originally occurred. The net impact on the financial statements included herein of correcting for these errors in 2008 and 2009 is to reduce our deferred tax liabilities and increase our stockholder's equity by approximately \$14.4 million as of December 31, 2010. There are no cash impacts as a result of this correction.

OPERATING RESULTS FOR CMBS PROPERTIES

Overall CMBS Properties Results

The following tables represent CMBS Properties' unaudited Condensed Combined Balance Sheets as of December 31, 2011 and 2010, and their unaudited Condensed Combined Statements of Operations and unaudited Condensed Combined Statements of Cash Flows for the years ended December 31, 2011 and 2010.

CMBS Properties
Condensed Combined Balance Sheets
(Unaudited)

<u>(In millions)</u>	<u>As of December 31,</u>	
	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 151.2	\$ 121.8
Receivables, net of allowance for doubtful accounts of \$34.4 and \$35.1	77.2	66.1
Deferred income taxes	14.0	14.8
Prepayments and other current assets	62.2	33.1
Inventories	10.6	11.7
Total current assets	315.2	247.5
Property and equipment, net of accumulated depreciation of \$608.1 and \$458.9	5,094.2	5,340.4
Goodwill	1,690.6	1,689.4
Intangible assets other than goodwill	543.7	558.0
Restricted cash	74.0	—
Deferred charges and other	109.3	133.5
	<u>\$7,827.0</u>	<u>\$7,968.8</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts payable	\$ 29.0	\$ 30.1
Interest payable	7.7	8.0
Accrued expenses	154.5	135.6
Due to affiliates, net	15.9	17.4
Total current liabilities	207.1	191.1
Long-term debt	5,026.0	5,182.3
Deferred credits and other	32.4	29.5
Deferred income taxes	1,546.2	1,607.4
	<u>6,811.7</u>	<u>7,010.3</u>
Total stockholder's equity	<u>1,015.3</u>	<u>958.5</u>
	<u>\$7,827.0</u>	<u>\$7,968.8</u>

CMBS Properties
Condensed Combined Statements of Operations
(Unaudited)

(In millions)	Year Ended December 31,	
	2011	2010
Revenues		
Casino	\$ 1,229.0	\$ 1,271.8
Food and beverage	501.2	498.2
Rooms	453.4	427.5
Other	198.8	190.8
Less: casino promotional allowances	(357.0)	(372.3)
Net revenues	<u>2,025.4</u>	<u>2,016.0</u>
Operating expenses		
Direct		
Casino	644.0	659.1
Food and beverage	243.6	235.8
Rooms	115.8	104.7
Property, general, administrative, and other	524.4	518.5
Depreciation and amortization	156.3	162.3
Write-downs, reserves, and recoveries	7.0	25.9
Loss/(income) on interests in non-consolidated affiliates	1.0	(2.3)
Corporate expense	85.0	61.4
Acquisition and integration costs	0.2	—
Amortization of intangible assets	59.6	59.6
Total operating expenses	<u>1,836.9</u>	<u>1,825.0</u>
Income from operations	188.5	191.0
Interest expense, net of interest capitalized	(210.1)	(247.5)
Gains on early extinguishments of debt	47.5	120.3
Other income, including interest income	1.0	0.6
Income before income taxes	26.9	64.4
Provision for income taxes	(9.0)	(23.9)
Net income	<u>\$ 17.9</u>	<u>\$ 40.5</u>

CMBS Properties
Condensed Combined Statements of Cash Flows
(Unaudited)

<u>(In millions)</u>	<u>Year Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash flows provided by operating activities	\$ 168.8	\$ 19.0
Cash flows from investing activities		
Acquisitions of property and equipment, net of change in construction payables	(34.3)	(24.8)
Change in restricted cash	(100.7)	—
Advances to non-consolidated affiliates	—	(0.9)
Other	(4.4)	(4.9)
Cash flows used in investing activities	<u>(139.4)</u>	<u>(30.6)</u>
Cash flows from financing activities		
Cash paid for early extinguishments of debt	(108.5)	(202.7)
Debt issuance costs and fees	—	(46.4)
Cash received from Caesars Entertainment for financing transactions	108.5	249.1
Other	<u>—</u>	<u>(0.2)</u>
Cash flows used in financing activities	<u>—</u>	<u>(0.2)</u>
Effect of deconsolidation of variable interest entities	<u>—</u>	<u>(1.1)</u>
Net increase/(decrease) in cash and cash equivalents	29.4	(12.9)
Cash and cash equivalents, beginning of period	121.8	134.7
Cash and cash equivalents, end of period	<u>\$ 151.2</u>	<u>\$ 121.8</u>
Cash paid for interest	<u>\$ 166.3</u>	<u>\$ 182.1</u>

Summary Information for CMBS Properties

(\$ in millions)	Year Ended December 31,		Percentage Favorable/ (Unfavorable)
	2011	2010	
Casino revenues	\$1,229.0	\$1,271.8	(3.4)%
Net revenues	2,025.4	2,016.0	0.5%
Income from operations	188.5	191.0	(1.3)%
Net income	17.9	40.5	(55.8)%
Operating margin**	9.3%	9.5%	(0.2) pts

** Operating margin is calculated as income/(loss) from operations divided by net revenues for the respective period.

Despite decreased casino revenues, net revenues for 2011 increased slightly from 2010. The increase in net revenues is mainly due to an increase in casino revenues at Harrah's Laughlin, strength in non-gaming fundamentals at the four Las Vegas properties, and decreases in promotional allowances, offset in part by a decline in casino revenues at Harrah's Atlantic City.

For 2011, income from operations decreased to \$188.5 million, or 1.3% from \$191.0 million in 2010, as increases in property operating expenses and corporate expenses more than offset decreases in write-downs, reserves, and recoveries and depreciation expense.

Net income for 2011 decreased 55.8% to \$17.9 million from \$40.5 million in 2010, due primarily to lower income from operations and lower gains from early extinguishments of debt, partially offset by a decrease in interest expense.

See below for further discussion.

Other Factors Affecting Net Income

(Income)/Expense (\$ in millions)	Year Ended December 31,		Percentage Favorable/ (Unfavorable)
	2011	2010	
Write-downs, reserves, and recoveries	\$ 7.0	\$ 25.9	73.0%
Corporate expense	85.0	61.4	(38.4)%
Amortization of intangible assets	59.6	59.6	— %
Interest expense, net of interest capitalized	210.1	247.5	15.1%
Gains on early extinguishment of debt	(47.5)	(120.3)	(60.5)%
Other income, including interest income	(1.0)	(0.6)	66.7%
Provision for income taxes	9.0	23.9	62.3%

Write-downs, reserves, and recoveries include various pre-tax charges to record certain long-lived tangible asset impairments, contingent liability or litigation reserves or settlements, project write-offs, demolition costs, permit remediation costs, recoveries of previously recorded reserves, and other non-routine transactions. Given the nature of the transactions included within write-downs, reserves, and recoveries, these amounts are not expected to be comparable from year-to-year, nor are the amounts expected to follow any particular trend from year-to-year.

Write-downs, reserves, and recoveries for 2011 were \$7.0 million compared with \$25.9 million in 2010. Amounts incurred for remediation costs during 2011 and 2010 were \$5.9 million and \$22.5 million, respectively.

Corporate expense for 2011 varied versus 2010 due to fluctuations in the corporate expense allocations during each of the respective periods.

Interest expense, net of interest capitalized decreased by \$37.4 million for 2011 when compared to 2010 due to debt repurchases of CMBS Loans during the third and fourth quarters of 2010 and the first half of 2011. Interest expense for 2011, as a result of the interest rate cap agreement, includes (i) \$3.3 million of expense due to measured ineffectiveness for derivatives designated as hedging instruments; (ii) \$1.4 million of gains due to changes in fair value for derivatives not designated as hedging instruments; and (iii) \$27.1 million of expense due to amortization of deferred losses frozen in accumulated other comprehensive loss ("AOCL") which is included in total stockholder's equity on the unaudited Condensed Combined Balance Sheets included herein. At December 31, 2011, all of our debt is variable-rate debt.

Gains on early extinguishments of debt during 2011 and 2010 relate to amounts recognized as a result of purchase and sale agreements with certain lenders to acquire mezzanine loans under the CMBS Financing. These events are discussed more fully in the “Liquidity and Capital Resources” section that follows herein.

For 2011 and 2010, the CMBS Properties recorded a tax provision of \$9.0 million and \$23.9 million, respectively, on pre-tax income from continuing operations of \$26.9 million and \$64.4 million, respectively. Income tax provision for 2011 and 2010 was unfavorably impacted by the effects of state income taxes.

Other Items

In April 2011, certain subsidiaries (the “Borrowers”) of Caesars Entertainment Operating Company, Inc (“CEOC”) obtained a senior secured loan in order to develop a retail, dining and entertainment corridor located between the Imperial Palace Hotel and Casino and the Flamingo Las Vegas on the Las Vegas strip (“Project Linq”) and a hotel tower, the Octavius Tower, at Caesars Palace Las Vegas.

In connection with Project Linq, in August 2011, we contributed the O’Shea’s casino (adjacent to the Flamingo Las Vegas) and certain other assets to one of the Borrowers, the book value of which was \$227.0 million. Of the assets contributed to Project Linq, \$89.3 million have been leased-back by a CMBS Property on a short term basis and therefore remain as assets of the CMBS Properties.

LIQUIDITY AND CAPITAL RESOURCES

Cost Savings Initiatives

Caesars Entertainment has undertaken comprehensive cost-reduction efforts to right size expenses with business levels. In the fourth quarter of 2010, Caesars embarked on a reorganization they referred to as “Project Renewal,” an initiative designed to reinvent certain aspects of Caesars’ functional and operating units to gain significant further cost reductions and streamline its operations. As part of Project Renewal, Caesars’ implemented a shared services organization that will enable more efficient decision making and sharing of best practices. Caesars anticipates that it will have a permanently lower cost structure and will benefit from greater concentration of specified talent and quicker decision making.

In accordance with our shared services agreement with Caesars Entertainment, we estimate that Project Renewal and previous cost savings programs produced \$80.7 million in incremental cost savings for 2011 when compared to prior year. Additionally, as of December 31, 2011, we estimate that, once fully implemented, these cost-savings programs will produce additional annual cost savings of \$59.5 million.

Capital Spending and Development

We perform ongoing refurbishment and maintenance at our casino entertainment facilities to maintain our quality standards. We also continue to pursue development and acquisition opportunities for additional casino entertainment facilities that meet our strategic and return on investment criteria. Prior to the receipt of necessary regulatory approvals, the costs of pursuing development projects are expensed as incurred. Construction-related costs incurred after the receipt of necessary approvals are capitalized and depreciated over the estimated useful life of the resulting asset. Project opening costs are expensed as incurred.

Our planned development projects, if they go forward, will require, individually and in the aggregate, 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 casino entertainment development projects are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate political and regulatory bodies. We must also comply with covenants and restrictions set forth in the CMBS Loan Agreement. Cash needed to finance projects currently under development, as well as additional projects being pursued, is expected to be made available from operating cash flows. Our capital spending for the year ended December 31, 2011 totaled approximately \$34.4 million, compared with approximately \$24.8 million in 2010.

Cash used for capital expenditures in the normal course of business is typically made available from cash flows generated by our operating activities while cash used for development projects, including projects currently under development as well as additional projects being pursued, is expected to be funded from established debt programs, specific project financing, and additional debt offerings. Estimated total capital expenditures for 2012 are expected to be between \$50.0 million and \$60.0 million.

Liquidity

Our cash and cash equivalents, excluding restricted cash, totaled \$151.2 million at December 31, 2011, compared to \$121.8 million at December 31, 2010.

Subsequent to the filing of Exhibit 99.2 to our annual report on Form 10-K for the year ended December 31, 2010, in the first quarter of 2011 we determined that approximately \$48.4 million reported as cash and cash equivalents as of December 31, 2010 should have been reported as either current or non-current restricted cash of the CMBS properties at that date. At December 31, 2011, the CMBS properties have \$100.7 million of current and non-current restricted cash, which is included in our Condensed Combined Balance Sheet as \$26.7 million of prepayments and other current assets and \$74.0 million of restricted cash, respectively. Restricted cash primarily consists of cash reserved under loan agreements for certain expenditures incurred in the normal course of business, such as real estate taxes, property insurance and capital improvements. The Condensed Combined Statement of Cash Flows for the CMBS properties for the year ended December 31, 2011 includes \$100.7 million of investing cash outflows for the funding of restricted cash balances, including the \$48.4 million of restricted cash funded prior to 2011. Management determined that reclassifying the cash balances on the balance sheet and reporting the aggregate investing cash outflows was not a material correction of Exhibit 99.2 to our 2010 financial statements, and does not materially misstate our 2011 financial statements.

We generate substantial cash flows from operating activities, as reflected on the unaudited Condensed Combined Statements of Cash Flows in our Combined Financial Statements. We use the cash flows generated by our operations to fund debt service, to reinvest in existing properties for both refurbishment and expansion projects and to pursue additional growth opportunities via new development. The distribution of cash in excess of that needed to fund the operations of the CMBS Properties is limited, as discussed more fully below in the *Restrictive Covenants and Other Matters* section of Capital Resources.

Our ability to fund our operations, pay our debt obligations, and fund planned capital expenditures depends, in part, upon economic and other factors that are beyond our control, and disruptions in capital markets and restrictive covenants related to our existing debt could impact our ability to secure additional funds through financing activities. We believe that our cash and cash equivalents balance, our cash flows from operations, and the financing sources discussed herein will be sufficient to meet our normal operating requirements during the next 12 months and to fund capital expenditures.

We cannot assure you that our business will generate sufficient cash flows from operations, or that future borrowings will be available to us, to fund our liquidity needs and pay our indebtedness. If we are unable to meet our liquidity needs or pay our indebtedness when it is due, we may have to reduce or delay refurbishment and expansion projects, reduce expenses, sell assets, or attempt to restructure our debt. In addition, we have pledged a significant portion of our assets as collateral under our CMBS Financing agreements, and, if any of our lenders accelerate the repayment of borrowings, there can be no assurance that we will have sufficient assets to repay our indebtedness.

Capital Resources – CMBS Financing

In connection with the acquisition of Caesars Entertainment in 2008 by affiliates of Apollo Global Management, LLC and TPG Capital, LP, the CMBS Properties borrowed \$6,500.0 million under the CMBS Financing. At December 31, 2011 and 2010, there was \$5,026.0 million and \$5,182.3 million, respectively, of book value outstanding under the CMBS Financing. The book value at December 31, 2011 is net of \$5.5 million, representing fees incurred in connection with the August 2010 amendment, as further described below, and recorded as a discount on debt.

On August 31, 2010, we executed an agreement with the lenders to amend the terms of our CMBS Financing to, among other things, (i) provide the right to extend the maturity of the CMBS mortgage loan and/or related mezzanine loans (“CMBS Loans”) , subject to certain conditions, by up to two years until February 2015, (ii) amend certain terms of the CMBS Loans with respect to reserve requirements, collateral rights, property release prices and the payment of management fees, (iii) provide for ongoing mandatory offers to repurchase CMBS Loans using excess cash flow from the CMBS Properties at discounted prices, (iv) provide for the amortization of the mortgage loan in certain minimum amounts upon the occurrence of certain conditions, and (v) provide for certain limitations with respect to the amount of excess cash flow from the CMBS Properties that may be distributed to Caesars Entertainment. Any CMBS Loan purchased pursuant to the amendments will be canceled.

With respect to the CMBS Financing, the initial maturity date of this loan is February 13, 2013, with two successive 1-year extension options. The conditions to the first extension of the initial maturity date to February 13, 2014 (the “first extended maturity date”) are (i) no default or event of default on the initial maturity date, (ii) notice of the election of the extension, (iii) delivery of an officer’s certificate reaffirming and restating the representations and warranties in the loan agreements as of the

initial maturity date, (iv) if the interest rate cap agreement then in effect is scheduled to mature prior to the first extended maturity date, the borrowers shall have obtained new or extended interest rate cap agreements extending the agreement through the first extended maturity date and (v) the borrowers shall have paid a 50 bps extension fee in respect of such extension. The conditions to the extension of the first extended maturity date to February 13, 2015 (the “second extended maturity date”) are (i) no default or event of default on the first extended maturity date, (ii) notice of the election of the extension, (iii) delivery of an officer’s certificate reaffirming and restating the representations and warranties in the loan agreements as of the first extended maturity date, (iv) if the interest rate cap agreement then in effect is scheduled to mature prior to the second extended maturity date, the borrowers shall have obtained new or extended interest rate cap agreements extending the agreement through the second extended maturity date and (v) the borrowers shall have paid a 50 bps extension fee in respect of such extension.

Pursuant to the terms of the amendment as initially agreed to in March 2010, we agreed to pay lenders selling CMBS Loans during the fourth quarter 2009 an additional \$47.4 million for their loans previously sold, to be paid no later than December 31, 2010. This additional liability was recorded as a loss on early extinguishment of debt during the first quarter of 2010 and was paid during the fourth quarter of 2010.

In June 2010, we purchased \$46.6 million face value of CMBS Loans for \$22.6 million, recognizing a net gain on the transaction of approximately \$23.3 million during the second quarter of 2010. In September 2010, in connection with the execution of the amendment, we purchased \$123.8 million face value of CMBS Loans for \$37.1 million, of which \$31.0 million was paid at the closing of the CMBS amendment, and the remainder of which was paid during fourth quarter 2010. We recognized a gain on the transaction of approximately \$77.4 million, net of deferred finance charges. In December 2010, we purchased \$191.3 million of face value of CMBS Loans for \$95.6 million, recognizing a gain of \$66.9 million, net of deferred finance charges.

In March 2011, we purchased \$108.1 million of face value of CMBS Loans for \$73.5 million, recognizing a gain of \$33.2 million, net of deferred finance charges. In April 2011, we purchased \$50.0 million of face value of CMBS Loans for \$35.0 million, recognizing a gain of \$14.3 million, net of deferred finance charges.

As part of the amended CMBS Loan Agreement, in order to extend the maturity of the CMBS Loans under the extension option, we are required to extend our interest rate cap agreement to cover the two years of extended maturity of the CMBS Loans, with a maximum aggregate purchase price for such extended interest rate cap for \$5.0 million. We funded the \$5.0 million obligation on September 1, 2010 in connection with the closing of the amendment to the CMBS Loan Agreement.

Interest and Fees

We make monthly interest payments on our CMBS financing.

Restrictive Covenants and Other Matters

The CMBS Financing includes negative covenants, subject to certain exceptions, restricting or limiting the ability of Caesars Entertainment and the CMBS Properties under the CMBS Financing (collectively, the “CMBS entities”) to, among other things: (i) incur additional debt; (ii) create liens on assets; (iii) make certain investments, loans, and advances; (iv) consolidate, merge, sell, or otherwise dispose of all or any part of its assets or to purchase, lease, or otherwise acquire all or any substantial part of assets of any other person; (v) enter into certain transactions with its affiliates; (vi) engage in any business other than the ownership of the properties and business activities ancillary thereto; and (vi) amend or modify the articles or certificate of incorporation, by-laws, and certain agreements.

The CMBS Financing also includes affirmative covenants that require the CMBS properties to, among other things, maintain the borrowers as “special-purpose entities”, maintain certain reserve funds in respect of furniture, fixtures, and equipment, taxes, and insurance, and comply with other customary obligations for CMBS real estate financings. Amounts deposited into the specified reserve funds represent restricted cash.

In addition, the CMBS Financing obligates the CMBS Properties to apply excess cash flow in certain specified manners, depending on the outstanding principal amount of various tranches of the CMBS loans and other factors. These obligations will limit the amount of excess cash flow from the CMBS Properties that may be distributed to Caesars Entertainment. For example, the CMBS Properties are required to use 100% of excess cash flow to make ongoing mandatory offers on a quarterly basis to purchase CMBS mezzanine loans at discounted prices from the holders thereof. To the extent such offers are accepted, such excess cash flow will need to be so utilized and will not be available for distribution to Caesars Entertainment. To the extent such offers are not accepted with respect to any fiscal quarter, the amount of excess cash flow that may be distributed to Caesars Entertainment is limited to 85% of excess cash flow with respect to such quarter. In addition, the CMBS Financing provides that once the aggregate principal amount of the CMBS mezzanine loans is less than or equal to \$625.0 million, the mortgage loan will begin to amortize on a quarterly basis in an amount equal to the greater of 100% of excess cash flow for such quarter and \$31.3 million. If the CMBS mortgage loan begins to amortize, the excess cash flow from the CMBS Properties will need to be utilized in connection with such amortization and will not be available for distribution to Caesars Entertainment.

Derivative Instruments

On January 28, 2008, we entered into an interest rate cap agreement to partially hedge the risk of future increases in the variable rate of the CMBS Financing. The interest rate cap agreement, which was effective January 28, 2008 and terminates February 13, 2013, is for a notional amount of \$6,500.0 million at a LIBOR cap rate of 4.5%. The interest rate cap was designated as a cash flow hedging instrument for accounting purposes on May 1, 2008.

In 2009, we began purchasing and extinguishing portions of the CMBS Financing. The hedging relationship between the CMBS Financing and the interest rate cap remained effective subsequent to each debt extinguishment. In connection with the extinguishments, we reclassified deferred losses out of AOCL and into interest expense associated with the hedge for which the forecasted future transactions are no longer probable of occurring.

On January 31, 2010, we removed the cash flow hedge designation for the \$6,500.0 million interest rate cap, freezing the amount of deferred losses recorded in AOCL associated with the interest rate cap. Beginning February 1, 2010, we began amortizing deferred losses frozen in AOCL into income over the original remaining term of the hedge forecasted transactions that are still probable of occurring. For the year ending December 31, 2011, we recorded \$20.9 million as an increase to interest expense, and we will record an additional \$20.9 million as an increase to interest expense and AOCL over the next 12 months, all related to deferred losses on the interest rate cap.

On January 31, 2010, we re-designated \$4,650.2 million of the interest rate cap as a cash flow hedging instrument for accounting purposes. Any future changes in fair value of the portion of the interest rate cap not designated as a hedging instrument will be recognized in interest expense during the period in which the changes in value occur.

GUARANTEES OF THIRD-PARTY DEBT AND OTHER OBLIGATIONS AND COMMITMENTS

The table below summarizes, as of December 31, 2011, the CMBS Properties' contractual obligations and other commitments through their respective maturity or ending dates.

<u>Contractual Obligations(a)</u>	<u>Payments due by Period</u>			
	<u>Total</u>	<u>Less than 1</u>	<u>1-3 years</u>	<u>4-5 years</u>
		<u>year</u>	<u>(In millions)</u>	
Face value of debt ^(b)	\$5,031.5	\$ —	\$ —	\$5,031.5
Estimated interest payments ^(b)	596.5	164.5	396.2	35.8
Operating leases	10.8	6.1	4.7	—
Purchase order obligations	19.4	19.4	—	—
Construction commitments	15.0	15.0	—	—
Entertainment obligations ^(c)	24.6	12.2	9.8	2.6
Other contractual obligations	24.4	8.9	7.8	7.7
	<u>\$5,722.2</u>	<u>\$ 226.1</u>	<u>\$ 418.5</u>	<u>\$5,077.6</u>

^(a) In addition to the contractual obligations disclosed in this table, we have unrecognized tax benefits that, based on uncertainties associated with the items, we are unable to make reasonably reliable estimates of the period of potential cash settlements, if any, with taxing authorities.

^(b) We are permitted to extend the maturity of the CMBS Loans from 2013 to 2015, subject to satisfying certain conditions, in connection with the amendment to the CMBS Facilities. We have, therefore, included this balance as due in 2015. By extending the maturity, total estimated interest payments increase by approximately \$404.5 million.

^(c) Entertainment obligations represent obligations to pay performers that have contracts for future performances at one or more of our properties.

GAMING REGULATORY OVERVIEW

General

The ownership and operation of casino entertainment facilities are subject to pervasive regulation under the laws, rules and regulations of each of the jurisdictions in which we operate. Gaming laws are based upon declarations of public policy designed to ensure that gaming is conducted honestly, competitively and free of criminal and corruptive elements. Since the continued growth and success of gaming is dependent upon public confidence, gaming laws protect gaming consumers and the viability and integrity of the gaming industry, including prevention of cheating and fraudulent practices. Gaming laws may also be designed to protect and maximize state and local revenues derived through taxation and licensing fees imposed on gaming industry participants and enhance economic development and tourism. To accomplish these public policy goals, gaming laws establish procedures to ensure that participants in the gaming industry meet certain standards of character and fitness, or suitability. In addition, gaming laws require gaming industry participants to:

- Establish and maintain responsible accounting practices and procedures;
- Maintain effective controls over their financial practices, including establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues;
- Maintain systems for reliable record keeping;
- File periodic reports with gaming regulators; and
- Maintain strict compliance with various laws, regulations and required minimum internal controls pertaining to gaming.

Typically, regulatory environments in the jurisdictions in which we operate are established by statute and are administered by a regulatory agency or agencies with interpretive authority with respect to gaming laws and regulations and broad discretion to regulate the affairs of owners, managers, and persons/entities with financial interests in gaming operations. Among other things, gaming authorities in the various jurisdictions in which we operate:

- Adopt rules and regulations under the implementing statutes;
- Make appropriate investigations to determine if there has been any violation of laws or regulations;
- Enforce gaming laws and impose disciplinary sanctions for violations, including fines and penalties;
- Review the character and fitness of participants in gaming operations and make determinations regarding their suitability or qualification for licensure;
- Grant licenses for participation in gaming operations;
- Collect and review reports and information submitted by participants in gaming operations;
- Review and approve transactions, such as acquisitions or change-of-control transactions of gaming industry participants, securities offerings and debt transactions engaged in by such participants; and
- Establish and collect fees and/or taxes.

Licensing and Suitability Determinations

Gaming laws require us, each of our subsidiaries engaged in gaming operations, certain of our directors, officers and employees, and in some cases, our stockholders and holders of our debt securities, to obtain licenses or findings of suitability from gaming authorities. Licenses or findings of suitability typically require a determination that the applicant qualifies or is suitable. Gaming authorities have very broad discretion in determining whether an applicant qualifies for licensing or should be deemed suitable. Subject to certain administrative proceeding requirements, the gaming regulators have the authority to deny any application or limit, condition, restrict, revoke or suspend any license, registration, finding of suitability or approval, or fine any person licensed, registered or found suitable or approved, for any cause deemed reasonable by the gaming authorities. Criteria used in determining whether to grant a license or finding of suitability, while varying between jurisdictions, generally include consideration of factors such as:

- The financial stability, integrity and responsibility of the applicant, including whether the operation is adequately capitalized in the jurisdiction and exhibits the ability to maintain adequate insurance levels;
- The quality of the applicant's casino facilities;
- The amount of revenue to be derived by the applicable jurisdiction through operation of the applicant's gaming facility;
- The applicant's practices with respect to minority hiring and training; and
- The effect on competition and general impact on the community.

In evaluating individual applicants, gaming authorities consider the individual's reputation for good character and criminal and financial history and the character of those with whom the individual associates.

Many jurisdictions limit the number of licenses granted to operate gaming facilities within the jurisdiction, and some jurisdictions limit the number of licenses granted to any one gaming operator. For example, in Indiana, state law allows us to only hold two gaming licenses. Licenses under gaming laws are generally not transferable unless the transfer is approved by the requisite regulatory agency. Licenses in many of the jurisdictions in which we conduct gaming operations are granted for limited durations and require renewal from time to time. In Iowa, our ability to continue our casino operations is subject to a referendum every eight years or at any time upon petition of the voters in the county in which we operate; the most recent referendum occurred in 2010. Our New Orleans casino operates under a contract with the Louisiana gaming authorities which extends until 2014, with a ten-year renewal period. There can be no assurance that any of our licenses or any of the above mentioned contracts will be renewed, or with respect to our gaming operations in Iowa, that continued gaming activity will be approved in any referendum.

Most jurisdictions have statutory or regulatory provisions that govern the required action that must be taken in the event that a license is revoked or not renewed. For example, under Indiana law, a trustee approved by gaming authorities will assume complete operational control of our riverboat in the event our license is revoked or not renewed, and will be authorized to take any action necessary to sell the property if we are unable to find a suitable buyer within 180 days.

In addition to us and our direct and indirect subsidiaries engaged in gaming operations, gaming authorities may investigate any individual or entity having a material relationship to, or material involvement with, any of these entities to determine whether such individual is suitable or should be licensed as a business associate of a gaming licensee. Certain jurisdictions require that any change in our directors or officers, including the directors or officers of our subsidiaries, must be approved by the requisite regulatory agency. Our officers, directors and certain key employees must also file applications with the gaming authorities and may be required to be licensed, qualified or be found suitable in many jurisdictions. Gaming authorities may deny an application for licensing for any cause which they deem reasonable. Qualification and suitability determinations require submission of detailed personal and financial information followed by a thorough investigation. The burden of demonstrating suitability is on the applicant, who must pay all the costs of the investigation. Changes in licensed positions must be reported to gaming authorities and in addition to their authority to deny an application for licensure, qualification or a finding of suitability, gaming authorities have jurisdiction to disapprove of a change in a corporate position.

If gaming authorities were to find that an officer, director or key employee fails to qualify or is unsuitable for licensing or unsuitable to continue having a relationship with us, we would have to sever all relationships with such person. In addition, gaming authorities may require us to terminate the employment of any person who refuses to file appropriate applications.

Moreover, in many jurisdictions, any of our stockholders or holders of our debt securities may be required to file an application, be investigated, and qualify or have his, her or its suitability determined. For example, under Nevada gaming laws,

each person who acquires, directly or indirectly, beneficial ownership of any voting security, or beneficial or record ownership of any non-voting security or any debt security in a public corporation which is registered with the Nevada Gaming Commission (the “Commission”), such as Caesars Entertainment Corporation, may be required to be found suitable if the Commission has reason to believe that his or her acquisition of that ownership, or his or her continued ownership in general, would be inconsistent with the declared public policy of Nevada, in the sole discretion of the Commission. Any person required by the Commission to be found suitable shall apply for a finding of suitability within 30 days after the Commission’s request that he or she should do so and, together with his or her application for suitability, deposit with the Nevada Gaming Control Board (the “Board”) a sum of money which, in the sole discretion of the Board, will be adequate to pay the anticipated costs and charges incurred in the investigation and processing of that application for suitability, and deposit such additional sums as are required by the Board to pay final costs and charges.

Furthermore, any person required by a gaming authority to be found suitable, who is found unsuitable by the gaming authority, shall not be able to hold directly or indirectly the beneficial ownership of any voting security or the beneficial or record ownership of any nonvoting security or any debt security of any public corporation which is registered with the gaming authority, such as Caesars Entertainment Corporation, beyond the time prescribed by the gaming authority. A violation of the foregoing may constitute a criminal offense. A finding of unsuitability by a particular gaming authority impacts that person’s ability to associate or affiliate with gaming licensees in that particular jurisdiction and could impact the person’s ability to associate or affiliate with gaming licensees in other jurisdictions.

Many jurisdictions also require any person who acquires beneficial ownership of more than a certain percentage of our voting securities and, in some jurisdictions, our non-voting securities, typically 5%, to report the acquisition to gaming authorities, and gaming authorities may require such holders to apply for qualification or a finding of suitability. Most gaming authorities, however, allow an “institutional investor” to apply for a waiver that allows the “institutional investor” to acquire, in most cases, up to 15% of our voting securities without applying for qualification or a finding of suitability. An “institutional investor” is generally defined as an investor acquiring and holding voting securities in the ordinary course of business as an institutional investor, and not for the purpose of causing, directly or indirectly, the election of a majority of the members of our board of directors, any change in our corporate charter, bylaws, management, policies or operations, or those of any of our gaming affiliates, or the taking of any other action which gaming authorities find to be inconsistent with holding our voting securities for investment purposes only. An application for a waiver as an institutional investor requires the submission of detailed information about the company and its regulatory filings, the name of each person that beneficially owns more than 5% of the institutional investor’s voting securities or other equivalent and a certification made under oath or penalty for perjury, that the voting securities were acquired and are held for investment purposes only. Even if a waiver is granted, an institutional investor generally may not take any action inconsistent with its status when the waiver was granted without once again becoming subject to the foregoing reporting and application obligations. A change in the investment intent of an institutional investor must be reported to certain regulatory authorities immediately after its decision.

Notwithstanding, each person who acquires directly or indirectly, beneficial ownership of any voting security, or beneficial or record ownership of any nonvoting security or any debt security in our company may be required to be found suitable if a gaming authority has reason to believe that such person’s acquisition of that ownership would otherwise be inconsistent with the declared policy of the jurisdiction.

Generally, any person who fails or refuses to apply for a finding of suitability or a license within the prescribed period after being advised it is required by gaming authorities may be denied a license or found unsuitable, as applicable. The same restrictions may also apply to a record owner if the record owner, after request, fails to identify the beneficial owner. Any person found unsuitable or denied a license and who holds, directly or indirectly, any beneficial ownership of our securities beyond such period of time as may be prescribed by the applicable gaming authorities may be guilty of a criminal offense. Furthermore, we may be subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with us or any of our subsidiaries, we:

- pay that person any dividend or interest upon our voting securities;
- allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person;
- pay remuneration in any form to that person for services rendered or otherwise; or
- fail to pursue all lawful efforts to require such unsuitable person to relinquish his voting securities including, if necessary, the immediate purchase of said voting securities for cash at fair market value.

Although many jurisdictions generally do not require the individual holders of debt securities such as notes to be investigated and found suitable, gaming authorities may nevertheless retain the discretion to do so for any reason, including but not limited to, a default, or where the holder of the debt instruments exercises a material influence over the gaming operations of the entity in question. Any holder of debt securities required to apply for a finding of suitability or otherwise qualify must generally pay all investigative fees and costs of the gaming authority in connection with such an investigation. If the gaming authority determines that a person is unsuitable to own a debt security, we may be subject to disciplinary action, including the loss of our approvals, if without the prior approval of the gaming authority, we:

- pay to the unsuitable person any dividend, interest or any distribution whatsoever;
- recognize any voting right by the unsuitable person in connection with those securities;
- pay the unsuitable person remuneration in any form; or
- make any payment to the unsuitable person by way of principal, redemption, conversion exchange, liquidation or similar transaction.

Certain jurisdictions impose similar restrictions in connection with debt securities and retain the right to require holders of debt securities to apply for a license or otherwise be found suitable by the gaming authority.

Under New Jersey gaming laws, if a holder of our debt or equity securities is required to qualify, the holder may be required to file an application for qualification or divest itself of the securities. If the holder files an application for qualification, it must place the securities in trust with an approved trustee. If the gaming regulatory authorities approve interim authorization, and while the application for plenary qualification is pending, such holder may, through the approved trustee, continue to exercise all rights incident to the ownership of the securities. If the gaming regulatory authorities deny interim authorization, the trust shall become operative and the trustee shall have the authority to exercise all the rights incident to ownership, including the authority to dispose of the securities and the security holder shall have no right to participate in casino earnings and may only receive a return on its investment in an amount not to exceed the actual cost of the investment (as defined by New Jersey gaming laws). If the security holder obtains interim authorization but the gaming authorities later find reasonable cause to believe that the security holder may be found unqualified, the trust shall become operative and the trustee shall have the authority to exercise all rights incident to ownership pending a determination on such holder's qualifications. However, during the period the securities remain in trust, the security holder may petition the New Jersey gaming authorities to direct the trustee to dispose of the trust property and distribute proceeds of the trust to the security holder in an amount not to exceed the lower of the actual cost of the investment or the value of the securities on the date the trust became operative. If the security holder is ultimately found unqualified, the trustee is required to sell the securities and to distribute the proceeds of the sale to the applicant in an amount not exceeding the lower of the actual cost of the investment or the value of the securities on the date the trust became operative and to distribute the remaining proceeds to the state. If the security holder is found qualified, the trust agreement will be terminated.

Additionally, following the Reclassification, the Certificates of Incorporation of CEC and CEOC contain provisions establishing the right to redeem the securities of disqualified holders if necessary to avoid any regulatory sanctions, to prevent the loss or to secure the reinstatement of any license or franchise, or if such holder is determined by any gaming regulatory agency to be unsuitable, has an application for a license or permit denied or rejected, or has a previously issued license or permit rescinded, suspended, revoked or not renewed. The Certificates of Incorporation also contain provisions defining the redemption price and the rights of a disqualified security holder. In the event a security holder is disqualified, the New Jersey gaming authorities are empowered to propose any necessary action to protect the public interest, including the suspension or revocation of the licenses for the casinos we own in New Jersey.

Many jurisdictions also require that manufacturers and distributors of gaming equipment and suppliers of certain goods and services to gaming industry participants be licensed and require us to purchase and lease gaming equipment, supplies and services only from licensed suppliers.

Violations of Gaming Laws

If we or our subsidiaries violate applicable gaming laws, our gaming licenses could be limited, conditioned, suspended or revoked by gaming authorities, and we and any other persons involved could be subject to substantial fines. Further, a

supervisor or conservator can be appointed by gaming authorities to operate our gaming properties, or in some jurisdictions, take title to our gaming assets in the jurisdiction, and under certain circumstances, earnings generated during such appointment could be forfeited to the applicable jurisdictions. Furthermore, violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions. As a result, violations by us of applicable gaming laws could have a material adverse effect on our financial condition, prospects and results of operations.

Reporting and Recordkeeping Requirements

We are required periodically to submit detailed financial and operating reports and furnish any other information about us and our subsidiaries which gaming authorities may require. Under federal law, we are required to record and submit detailed reports of currency transactions involving greater than \$10,000 at our casinos and Suspicious Activity Reports (“SARCs”) if the facts presented so warrant. Some jurisdictions require us to maintain a log that records aggregate cash transactions in the amount of \$3,000 or more. We are required to maintain a current stock ledger which may be examined by gaming authorities at any time. We may also be required to disclose to gaming authorities upon request the identities of the holders of our debt or other securities. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to gaming authorities. Failure to make such disclosure may be grounds for finding the record holder unsuitable. In Indiana, we are required to submit a quarterly report to gaming authorities disclosing the identity of all persons holding interests of 1% or greater in a riverboat licensee or holding company. Gaming authorities may also require certificates for our stock to bear a legend indicating that the securities are subject to specified gaming laws. In certain jurisdictions, gaming authorities have the power to impose additional restrictions on the holders of our securities at any time.

Review and Approval of Transactions

Substantially all material loans, leases, sales of securities and similar financing transactions by us and our subsidiaries must be reported to, or approved by, gaming authorities. Neither we nor any of our subsidiaries may make a public offering of securities without the prior approval of certain gaming authorities if the securities or the proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in such jurisdictions, or to retire or extend obligations incurred for such purposes. Such approval, if given, does not constitute a recommendation or approval of the investment merits of the securities subject to the offering. Changes in control through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or otherwise, require prior approval of gaming authorities in certain jurisdictions. Entities seeking to acquire control of us or one of our subsidiaries must satisfy gaming authorities with respect to a variety of stringent standards prior to assuming control. Gaming authorities may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

Certain gaming laws and regulations in jurisdictions we operate in establish that certain corporate acquisitions opposed by management, repurchases of voting securities and corporate defense tactics affecting us or our subsidiaries may be injurious to stable and productive corporate gaming, and as a result, prior approval may be required before we may make exceptional repurchases of voting securities (such as repurchases which treat holders differently) above the current market price and before a corporate acquisition opposed by management can be consummated. In certain jurisdictions, the gaming authorities also require prior approval of a plan of recapitalization proposed by the board of directors of a publicly traded corporation which is registered with the gaming authority in response to a tender offer made directly to the registered corporation’s stockholders for the purpose of acquiring control of the registered corporation.

Because licenses under gaming laws are generally not transferable, our ability to grant a security interest in any of our gaming assets is limited and may be subject to receipt of prior approval from gaming authorities. A pledge of the stock of a subsidiary holding a gaming license and the foreclosure of such a pledge may be ineffective without the prior approval of gaming authorities. Moreover, our subsidiaries holding gaming licenses may be unable to guarantee a security issued by an affiliated or parent company pursuant to a public offering, or pledge their assets to secure payment of the obligations evidenced by the security issued by an affiliated or parent company, without the prior approval of gaming authorities. We are subject to extensive prior approval requirements relating to certain borrowings and security interests with respect to our New Orleans casino. If the holder of a security interest wishes operation of the casino to continue during and after the filing of a suit to enforce the security interest, it may request the appointment of a receiver approved by Louisiana gaming authorities, and under Louisiana gaming laws, the receiver is considered to have all our rights and obligations under our contract with Louisiana gaming authorities.

Some jurisdictions also require us to file a report with the gaming authority within a prescribed period of time following certain financial transactions and the offering of debt securities. Were they to deem it appropriate, certain gaming authorities reserve the right to order such transactions rescinded.

Certain jurisdictions require the implementation of a compliance review and reporting system created for the purpose of monitoring activities related to our continuing qualification. These plans require periodic reports to senior management of our company and to the regulatory authorities.

Certain jurisdictions require that an independent audit committee oversee the functions of surveillance and internal audit departments at our casinos.

License Fees and Gaming Taxes

We pay substantial license fees and taxes in many jurisdictions, including the counties, cities, and any related agencies, boards, commissions, or authorities, in which our operations are conducted, in connection with our casino gaming operations, computed in various ways depending on the type of gaming or activity involved. Depending upon the particular fee or tax involved, these fees and taxes are payable either daily, monthly, quarterly or annually. License fees and taxes are based upon such factors as:

- a percentage of the gross revenues received;
- the number of gaming devices and table games operated;
- franchise fees for riverboat casinos operating on certain waterways; and
- admission fees for customers boarding our riverboat casinos.

In many jurisdictions, gaming tax rates are graduated with the effect of increasing as gross revenues increase. Furthermore, tax rates are subject to change, sometimes with little notice, and we have recently experienced tax rate increases in a number of jurisdictions in which we operate. A live entertainment tax is also paid in certain jurisdictions by casino operations where entertainment is furnished in connection with the selling or serving of food or refreshments or the selling of merchandise.

Operational Requirements

In many jurisdictions, we are subject to certain requirements and restrictions on how we must conduct our gaming operations. In many jurisdictions, we are required to give preference to local suppliers and include minority-owned and women-owned businesses in construction projects to the maximum extent practicable.

Some jurisdictions also require us to give preferences to minority-owned and women-owned businesses in the procurement of goods and services. Some of our operations are subject to restrictions on the number of gaming positions we may have, the minimum or maximum wagers allowed by our customers, and the maximum loss a customer may incur within specified time periods.

Our land-based casino in New Orleans operates under a contract with the Louisiana Gaming Control Board and the Louisiana Economic Development and Gaming Act and related regulations. Under this authority, our New Orleans casino is subject to not only many of the foregoing operational requirements, but also to restrictions on our food and beverage operations, including with respect to the size, location and marketing of eating establishments at our casino entertainment facility. Furthermore, with respect to the hotel tower, we are subject to restrictions on the number of rooms within the hotel, the amount of meeting space within the hotel and how we may market and advertise the rates we charge for rooms.

In Mississippi, we are required to include adequate parking facilities (generally 500 spaces or more) in close proximity to our existing casino complexes, as well as infrastructure facilities, such as hotels, that will amount to at least 25% of the casino cost. The infrastructure requirement was increased to 100% of the casino cost for any new casinos in Mississippi.

To comply with requirements of Iowa gaming laws, we have entered into management agreements with Iowa West Racing Association, a non-profit organization. The Iowa Racing and Gaming Commission has issued a joint license to Iowa West Racing Association and Harveys Iowa Management Company, Inc. for the operation of the Harrah's Council Bluffs Casino, which is an excursion gambling boat that is now permanently moored, and issued a license for the Horseshoe Council Bluffs Casino at Bluffs Run Greyhound Park which is a full service, land based casino and a greyhound racetrack. The company operates both facilities pursuant to the management agreements.

The United Kingdom Gambling Act of 2005 which became effective in September 2007, replaced the Gaming Act 1968, and removed most of the restrictions on advertizing. Though the 2005 Act controls marketing, advertising gambling is now controlled by the Advertising Standards Authority through a series of codes of practise. Known as the CAP codes, the codes offer guidance on the content of print, television and radio advertisements.

Indian Gaming

The terms and conditions of management contracts and the operation of casinos and all gaming on Indian land in the United States are subject to the Indian Gaming Regulatory Act of 1988, (the “IGRA”), which is administered by the National Indian Gaming Commission, (the “NIGC”), the gaming regulatory agencies of tribal governments, and Class III gaming compacts between the tribes for which we manage casinos and the states in which those casinos are located. IGRA established three separate classes of tribal gaming-Class I, Class II and Class III. Class I includes all traditional or social games solely for prizes of minimal value played by a tribe in connection with celebrations or ceremonies. Class II gaming includes games such as bingo, pulltabs, punchboards, instant bingo and non-banked card games (those that are not played against the house) such as poker. Class III gaming includes casino-style gaming such as banked table games like blackjack, craps and roulette, and gaming machines such as slots and video poker, as well as lotteries and pari-mutuel wagering. Harrah’s Ak-Chin Phoenix and Rincon provide Class II gaming and, as limited by the tribal-state compact, Class III gaming. The Eastern Band Cherokee Casino currently provides only Class III gaming.

IGRA prohibits all forms of Class III gaming unless the tribe has entered into a written agreement or compact with the state that specifically authorizes the types of Class III gaming the tribe may offer. These compacts may address, among other things, the manner and extent to which each state will conduct background investigations and certify the suitability of the manager, its officers, directors, and key employees to conduct gaming on tribal lands. We have received our permanent certification from the Arizona Department of Gaming as management contractor for the Ak-Chin Indian Community’s casino, a Tribal-State Compact Gaming Resource Supplier Finding of Suitability from the California Gambling Control Commission in connection with management of the Rincon San Luiseno Band of Mission Indians casino, and have been licensed by the relevant tribal gaming authorities to manage the Ak-Chin Indian Community’s casino, the Eastern Band of Cherokee Indians’ casino and the Rincon San Luiseno Band of Mission Indians’ casino, respectively.

IGRA requires NIGC approval of management contracts for Class II and Class III gaming as well as the review of all agreements collateral to the management contracts. Management contracts which are not so approved are void. The NIGC will not approve a management contract if a director or a 10% stockholder of the management company:

- is an elected member of the Native American tribal government which owns the facility purchasing or leasing the games;
- has been or is convicted of a felony gaming offense;
- has knowingly and willfully provided materially false information to the NIGC or the tribe;
- has refused to respond to questions from the NIGC; or
- is a person whose prior history, reputation and associations pose a threat to the public interest or to effective gaming regulation and control, or create or enhance the chance of unsuitable activities in gaming or the business and financial arrangements incidental thereto.

In addition, the NIGC will not approve a management contract if the management company or any of its agents have attempted to unduly influence any decision or process of tribal government relating to gaming, or if the management company has materially breached the terms of the management contract or the tribe’s gaming ordinance, or a trustee, exercising due diligence, would not approve such management contract. A management contract can be approved only after the NIGC determines that the contract provides, among other things, for:

- adequate accounting procedures and verifiable financial reports, which must be furnished to the tribe;
- tribal access to the daily operations of the gaming enterprise, including the right to verify daily gross revenues and income;
- minimum guaranteed payments to the tribe, which must have priority over the retirement of development and construction costs;
- a ceiling on the repayment of such development and construction costs; and
- a contract term not exceeding five years and a management fee not exceeding 30% of net revenues (as determined by the NIGC); provided that the NIGC may approve up to a seven year term and a management fee not to exceed 40% of net revenues if NIGC is satisfied that the capital investment required, and the income projections for the particular gaming activity require the larger fee and longer term.

Management contracts can be modified or cancelled pursuant to an enforcement action taken by the NIGC based on a violation of the law or an issue affecting suitability.

Indian tribes are sovereign with their own governmental systems, which have primary regulatory authority over gaming on land within the tribes' jurisdiction. Therefore, persons engaged in gaming activities, including the company, are subject to the provisions of tribal ordinances and regulations on gaming. These ordinances are subject to review by the NIGC under certain standards established by IGRA. The NIGC may determine that some or all of the ordinances require amendment, and that additional requirements, including additional licensing requirements, may be imposed on us. The possession of valid licenses from the Ak-Chin Indian Community, the Eastern Band of Cherokee Indians and the Rincon San Luiseno Band of Mission Indians, are ongoing conditions of our agreements with these tribes.

Riverboat Casinos

In addition to all other regulations applicable to the gaming industry generally, some of our riverboat casinos are also subject to regulations applicable to vessels operating on navigable waterways, including regulations of the U.S. Coast Guard. These requirements set limits on the operation of the vessel, mandate that it must be operated by a minimum complement of licensed personnel, establish periodic inspections, including the physical inspection of the outside hull, and establish other mechanical and operational rules.

Racetracks

We own a full service casino which includes a full array of table games in conjunction with a greyhound racetrack in Council Bluffs, Iowa. The casino operation and the greyhound racing operation are regulated by the same state agency and are subject to the same regulatory structure established for all Iowa gaming facilities. A single operating license covers both parts of the operation in Council Bluffs. We also own slot machines at a thoroughbred racetrack in Bossier City, Louisiana, and we own a combination harness racetrack and casino in southeastern Pennsylvania in which the company, through various subsidiary entities, owns a 95% interest in the entity licensed by the Pennsylvania Gaming Control Board. Generally, our slot operations at the Iowa racetrack is regulated in the same manner as our other gaming operations in Iowa. In addition, regulations governing racetracks are typically administered separately from our other gaming operations (except in Iowa), with separate licenses and license fee structures. For example, racing regulations may limit the number of days on which races may be held. In Kentucky, we own and operate Bluegrass Downs, a harness racetrack located in Paducah, and hold a one-half interest in Turfway Park LLC, which is the owner of the Turfway Park thoroughbred racetrack in Boone County. Turfway Park LLC also owns a minority interest in Kentucky Downs LLC, which is the owner of the Kentucky Downs racetrack. These Kentucky racetracks are licensed and regulated by the Kentucky Horse Racing Commission and are subject to the same regulatory structure established for all Kentucky racing facilities. As of July 27, 2010, we also own and operate Thistledown Racetrack, a thoroughbred racetrack located in Cleveland, Ohio, which is regulated by the Ohio State Racing Commission and subject to the same regulatory structure established for all Ohio racing facilities.

Internet

An affiliate of the Company, Caesars Interactive Entertainment, Inc., engages in lawful online internet gaming activity in the United Kingdom through two outside third party operators. This internet gaming is offered to residents of the United Kingdom by the third party operators pursuant to licenses issued to these operators by the Gibraltar Regulatory Authority. Gibraltar is a United Kingdom "white listed" jurisdiction which allows operators to legally advertise online gaming services in the United Kingdom. To date, the key gaming regulatory authorities governing online internet gaming are the Gibraltar Regulatory Authority, the Alderney Gambling Control Commission and the Isle of Mann Gambling Supervision Commission. Italy and France recently legalized online internet gaming by private companies and, in June 2010, Denmark passed legislation legalizing online internet gaming. Caesars Interactive Entertainment, Inc., recently entered into agreements with third parties for the use of the World Series of Poker brand on online gaming websites in Italy and France. We own an online gaming business, providing for real money casino, bingo, and poker games in the United Kingdom, alliances with online gaming providers in Italy and France, "play for fun" offerings in other jurisdictions, social games on Facebook and other social media websites, and mobile application platforms.