
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 2011

or

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

For the transition period from to

Commission File No. 1-10410

CAESARS ENTERTAINMENT CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

89109
(Zip Code)

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

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the 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 type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

As of November 4, 2011, the Registrant had 71,774,780 shares of voting Common Stock outstanding.

CAESARS ENTERTAINMENT CORPORATION

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

CAESARS ENTERTAINMENT CORPORATION CONSOLIDATED CONDENSED BALANCE SHEETS (UNAUDITED)

<u>(In millions, except par value)</u>	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,150.7	\$ 987.0
Receivables, less allowance for doubtful accounts of \$219.9 and \$216.3	414.2	393.2
Deferred income taxes	160.1	175.8
Prepayments and other current assets	251.3	184.1
Inventories	49.0	50.4
Assets held for sale	2.4	—
Total current assets	2,027.7	1,790.5
Land, buildings, riverboats and equipment	19,870.0	19,758.1
Less: accumulated depreciation	(2,507.5)	(1,991.5)
	17,362.5	17,766.6
Goodwill	3,473.0	3,420.9
Intangible assets other than goodwill	4,703.2	4,711.8
Investments in and advances to non-consolidated affiliates	99.9	94.0
Restricted cash	465.3	—
Deferred charges and other	734.5	803.9
	<u>\$ 28,866.1</u>	<u>\$ 28,587.7</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 276.2	\$ 251.4
Interest payable	385.5	201.5
Accrued expenses	1,084.7	1,074.3
Current portion of long-term debt	45.5	55.6
Total current liabilities	1,791.9	1,582.8
Long-term debt	19,575.1	18,785.5
Deferred credits and other	908.2	923.1
Deferred income taxes	5,349.0	5,623.7
	<u>27,624.2</u>	<u>26,915.1</u>
Redeemable non-controlling interests	36.0	—
Stockholders' equity/(deficit)		
Common stock; voting; \$0.01 par value; 1,250.0 shares authorized; 71.8 and 71.8 shares issued and outstanding (net of 0.2 and 0.2 shares held in treasury) as of September 30, 2011 and December 31, 2010, respectively	0.7	0.7
Additional paid-in capital	6,922.5	6,906.5
Accumulated deficit	(5,561.9)	(5,105.6)
Accumulated other comprehensive loss	(199.4)	(168.8)
Total Caesars Entertainment Corporation Stockholders' equity	1,161.9	1,632.8
Non-controlling interests	44.0	39.8
Total Stockholders' equity	<u>1,205.9</u>	<u>1,672.6</u>
	<u>\$ 28,866.1</u>	<u>\$ 28,587.7</u>

See accompanying Notes to Consolidated Condensed Financial Statements.

CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

<u>(In millions, except per share data)</u>	<u>Quarter Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues				
Casino	\$ 1,690.2	\$ 1,784.3	\$ 5,029.5	\$ 5,251.3
Food and beverage	403.8	395.0	1,165.0	1,157.8
Rooms	315.0	296.0	917.2	858.5
Management fees	9.7	9.1	27.7	31.2
Other	164.8	155.5	473.4	439.9
Less: casino promotional allowances	(329.5)	(351.4)	(950.7)	(1,041.1)
Net revenues	<u>2,254.0</u>	<u>2,288.5</u>	<u>6,662.1</u>	<u>6,697.6</u>
Operating expenses				
Direct				
Casino	955.5	1,010.9	2,827.9	2,982.9
Food and beverage	174.5	164.0	500.3	469.7
Rooms	75.0	67.2	217.1	195.5
Property general, administrative and other	551.8	540.8	1,593.0	1,580.0
Depreciation	181.3	181.4	532.2	548.1
Project opening costs	—	1.7	4.2	4.0
Write-downs, reserves and recoveries	39.6	28.7	82.9	136.3
Impairment of intangible assets	—	44.0	—	144.0
Loss on interests in non-consolidated affiliates	1.1	1.7	4.2	2.1
Corporate expense	36.5	32.4	115.1	103.8
Acquisition and integration costs	1.3	0.7	3.6	8.3
Amortization of intangible assets	39.2	39.3	117.7	121.7
Total operating expenses	<u>2,055.8</u>	<u>2,112.8</u>	<u>5,998.2</u>	<u>6,296.4</u>
Income from operations	198.2	175.7	663.9	401.2
Interest expense, net of interest capitalized	(450.3)	(523.6)	(1,448.3)	(1,471.9)
Gains on early extinguishments of debt	—	77.4	47.9	48.7
Other income, including interest income	8.2	9.8	16.7	28.2
Loss before income taxes	(243.9)	(260.7)	(719.8)	(993.8)
Benefit for income tax	70.5	97.5	248.5	364.5
Net loss	(173.4)	(163.2)	(471.3)	(629.3)
Less: net loss/(income) attributable to non-controlling interests	9.4	(1.6)	4.3	(5.1)
Net loss attributable to Caesars Entertainment Corporation	<u>\$ (164.0)</u>	<u>\$ (164.8)</u>	<u>\$ (467.0)</u>	<u>\$ (634.4)</u>
Loss per share - basic and diluted	<u>\$ (2.28)</u>	<u>\$ (2.72)</u>	<u>\$ (6.50)</u>	<u>\$ (11.70)</u>
Basic and diluted weighted-average common shares outstanding	<u>71.8</u>	<u>60.6</u>	<u>71.8</u>	<u>54.2</u>

See accompanying Notes to Consolidated Condensed Financial Statements.

CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<u>(In millions)</u>	<u>Nine Months Ended September 30,</u>	
	<u>2011</u>	<u>2010</u>
Cash flows (used in)/provided by operating activities		
Net loss	\$ (471.3)	\$ (629.3)
Adjustments to reconcile net loss to cash flows provided by operating activities:		
Gains on early extinguishments of debt	(47.9)	(48.7)
Depreciation and amortization	895.9	889.9
Non-cash write-downs, reserves and recoveries	31.6	102.0
Impairment of intangible assets	—	144.0
Share-based compensation expense	17.6	16.5
Deferred income taxes	(263.0)	(176.7)
Gain on investment	—	(7.1)
Change in federal income tax receivable	—	(233.3)
Net change in long-term accounts	(49.1)	(38.1)
Net change in working capital accounts	169.9	263.9
Other	31.2	25.3
Cash flows provided by operating activities	<u>314.9</u>	<u>308.4</u>
Cash flows (used in)/provided by investing activities		
Land, buildings, riverboats and equipment additions, net of change in construction payables	(164.9)	(124.6)
Change in restricted cash	(544.0)	—
Payments to acquire a business, net of transaction costs	(19.0)	(44.6)
Payment made for partnership interest	—	(19.5)
Payments to acquire certain gaming rights	(22.7)	(16.5)
Cash acquired in business acquisition, net	—	14.4
Investments in/advances to non-consolidated affiliates and other	(76.0)	(5.0)
Proceeds from other asset sales	1.4	14.3
Other	(10.2)	(14.4)
Cash flows used in investing activities	<u>(835.4)</u>	<u>(195.9)</u>
Cash flows provided by/(used in) financing activities		
Proceeds from the issuance of long-term debt	863.8	1,292.2
Debt issuance costs and fees	(17.5)	(58.9)
Borrowings under lending agreements	135.0	1,175.0
Repayments under lending agreements	(135.0)	(1,605.0)
Cash paid in connection with early extinguishments of debt	(125.9)	(273.5)
Scheduled debt retirements	(34.4)	(214.7)
Non-controlling interests' contributions, net of distributions	4.8	(5.8)
Other	(6.6)	(8.3)
Cash flows provided by financing activities	<u>684.2</u>	<u>301.0</u>
Effect of deconsolidation of variable interest entities	—	(7.9)
Net increase in cash and cash equivalents	163.7	405.6
Cash and cash equivalents, beginning of period	987.0	918.1
Cash and cash equivalents, end of period	<u>\$ 1,150.7</u>	<u>\$ 1,323.7</u>

See accompanying Notes to Consolidated Condensed Financial Statements.

CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE LOSS
(UNAUDITED)

(In millions)	Common Stock		Additional		Accumulated				Comprehensive
	Shares Outstanding	Amount	Paid-in- Capital	Accumulated Deficit	Other Comprehensive Loss	Non- controlling Interests	Total		Loss
Balance at December 31, 2010	71.8	\$ 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				(467.0)		(4.3)	(471.3)		(471.3)
Share-based compensation			17.5			0.1	17.6		
Repurchase of treasury shares	*	*	(1.5)				(1.5)		
Defined benefit plan adjustments, net of tax					0.3		0.3		0.3
Foreign currency translation adjustments, net of tax					(26.7)	3.6	(23.1)		(23.1)
Fair market value of derivatives, net of tax					(65.6)		(65.6)		(65.6)
Reclassification of loss on derivative instruments from other comprehensive loss to interest expense, net of tax					59.5		59.5		59.5
Unrealized gains on investments, net of tax					1.9		1.9		1.9
Distributions to non-controlling interests, net of contributions						4.8	4.8		
Comprehensive Loss, nine months ended September 30, 2011									\$ (498.3)
Balance at September 30, 2011	71.8	\$ 0.7	\$6,922.5	\$ (5,561.9)	\$ (199.4)	\$ 44.0	\$1,205.9		

* Amount rounds to zero and does not change rounded total.

See accompanying Notes to Consolidated Condensed Financial Statements.

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
(UNAUDITED)

Note 1—Organization, Basis of Presentation and Accounting Policy

Organization

Caesars Entertainment Corporation, a Delaware corporation, is the world's most diversified casino-entertainment company. In this Quarterly Report on Form 10-Q (the "10-Q") Caesars Entertainment Corporation, together with its consolidated subsidiaries where appropriate, is referred to as "Caesars Entertainment," the "Company," "we," "our" and "us".

As of September 30, 2011, we owned, operated or managed 52 casinos in 12 U.S. states and seven countries. The vast 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. 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 operated casino in Canada, one combination greyhound racetrack and casino, one combination thoroughbred racetrack and casino, and one combination harness racetrack and casino. 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 reporting segment.

In January, 2008, Caesars Entertainment was acquired by affiliates of Apollo Global Management, LLC ("Apollo") and TPG Capital, LP ("TPG" and, together with Apollo, the "Sponsors") in an all-cash transaction, hereinafter referred to as the "Acquisition." As a result of the Acquisition, our stock is no longer publicly traded. Currently, the issued and outstanding shares of common stock of Caesars Entertainment are owned by entities affiliated with the Sponsors, Paulson & Co. Inc. ("Paulson"), certain co-investors and members of management.

Basis of Presentation

The accompanying Unaudited Consolidated Condensed Financial Statements of the Company have been prepared under the rules and regulations of the Securities and Exchange Commission ("SEC") applicable for interim periods and, therefore, do not include all information and notes necessary for complete financial statements in conformity with generally accepted accounting principles in the United States. The results for the interim periods reflect all adjustments (consisting only of normal recurring adjustments) that management considers necessary for a fair presentation of financial position, operating results and cash flows.

The results of operations for our interim periods are not necessarily indicative of the results of operations that may be achieved for the entire 2011 fiscal year. The financial information as of December 31, 2010 is derived from our audited consolidated financial statements and notes for the year ended December 31, 2010 included in our 2010 Annual Report on Form 10-K (the "2010 10-K"). The information included in this 10-Q should be read in conjunction with the footnotes and management's discussion and analysis of the Consolidated Financial Statements in the 2010 10-K. We have recast certain amounts for prior periods to conform to our 2011 presentation.

Accounting Policy

RESTRICTED CASH. At September 30, 2011 the Company has \$544.0 million of current and non-current restricted cash, which is included in our Consolidated Condensed Balance Sheet as \$78.7 million of Prepayments and other current assets and \$465.3 million of Restricted cash, respectively.

As more fully described in Note 5, "Debt", 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 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

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
September 30, 2011
(UNAUDITED)

customary obligations for CMBS real estate financings.

Subsequent to the filing of our 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 Condensed Statement of Cash Flows for the nine months ended September 30, 2011 includes \$544.0 million of investing cash outflows for the funding of restricted cash balances. Included in the \$544.0 million of investing cash outflows is the \$64.9 million of restricted cash funded prior to 2011. Management determined in the first quarter of 2011 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 financial statements.

Note 2—Recent Accounting Pronouncements

Effective January 1, 2011, we adopted revised guidance regarding goodwill impairment testing for reporting units with zero or negative carrying amounts. The new guidance 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. As of our 2011 preliminary annual assessment of goodwill and other non-amortizing intangible assets for impairment, we did not have any reporting units with zero or negative carrying amounts.

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. This new guidance 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. generally accepted accounting principles (“GAAP”) and International Financial Reporting Standards 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 will be effective for us January 1, 2012. We are currently assessing what impact, if any, this new guidance will have on our consolidated financial position, results of operations and cash flows.

In June 2011, the FASB issued new guidance for the presentation of comprehensive income. The new guidance requires that all nonowner 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 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 postretirement benefits. The new guidance will be effective for our 2011 Annual Report on Form 10-K. As this relates only to disclosure requirements, 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 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 percent) 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.

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
September 30, 2011
(UNAUDITED)

Note 3—Development and Acquisition Activity

Acquisition of Planet Hollywood

In February 2010, CEOC, a wholly-owned subsidiary of Caesars Entertainment, acquired 100 percent 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.

The Company paid approximately \$67.2 million, substantially during the second half of 2009, for the combination of i) the Company’s initial debt investment in certain predecessor entities of PHW Las Vegas; and ii) certain interest-only participations associated with the debt of certain predecessor entities of PHW Las Vegas. In connection with the February 2010 cancellation of our debt investment in such 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 investments 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 Condensed Statement of Operations for the nine months ended September 30, 2010. Also, as a result of the acquisition, the Company acquired the net cash balance of PHW Las Vegas during the quarter ended March 31, 2010, net of closing costs.

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 in Note 5, “Debt.”

Purchase Accounting

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 the first quarter 2011, the Company finalized its purchase price allocation and the supporting valuations and related assumptions. Based upon this finalization, the Company made adjustments to its final purchase price allocation resulting in an increase to the recorded goodwill of \$2.4 million and concluding on final assets and liabilities of PHW Las Vegas as follows:

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
September 30, 2011
(UNAUDITED)

<u>(In millions)</u>	<u>February 19, 2010</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 31.3
Accounts receivable	13.6
Prepayments and other current assets	5.5
Inventories	1.9
Total current assets	52.3
Land, buildings and equipment	461.0
Goodwill	18.7
Intangible assets other than goodwill	5.4
Deferred charges and other	4.6
	542.0
Liabilities	
Current liabilities	
Accounts payable	(1.9)
Interest payable	(1.1)
Accrued expenses	(27.7)
Current portion of long-term debt	(4.3)
Total current liabilities	(35.0)
Long-term debt, net of discount	(433.3)
Deferred credits and other	(12.6)
Total liabilities	(480.9)
Net assets acquired	\$ 61.1

Acquisition of Thistledown Racetrack

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

The purchase price of Thistledown Racetrack 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 the third quarter 2011, the Company 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 up to an approximate 30 percent 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.

On August 17, 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 percent.

Completion of the casino developments is subject to a number of conditions, including, without limitation, the adoption of final rules and regulations by the Ohio Casino Control Commission and receipt of necessary licensing to operate casinos in the State of Ohio.

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
September 30, 2011
(UNAUDITED)

During the nine months ended September 30, 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 non-consolidated affiliates in our Consolidated Condensed Balance Sheet at September 30, 2011.

Suffolk Downs

On March 29, 2011, we acquired an interest in Sterling Suffolk Racecourse, LLC, which owns a horse-racing track in Massachusetts, along with options 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 will be 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

On May 16, 2011, Caesars Interactive Entertainment Israel, Ltd. (“CIEI”), a majority-owned subsidiary of Caesars Entertainment, entered into an agreement to acquire 51 percent 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.

Purchase Accounting

The purchase price of Playtika was allocated based upon preliminary 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 preliminary purchase price allocation includes assets and liabilities of Playtika as follows:

<u>(In millions)</u>	<u>May 16, 2011</u>
<u>Assets</u>	
Total current assets	\$ 0.5
Land, buildings and equipment	—
Goodwill	50.7
Intangible assets other than goodwill	25.0
	<u>76.2</u>
<u>Liabilities</u>	
Total current liabilities	(5.9)
Total long term liabilities	(5.3)
Redeemable non-controlling interests	(36.0)
Net assets acquired	<u>\$ 29.0</u>

During the quarter ended September 30, 2011, the Company continued to review its preliminary purchase price allocation and the supporting valuations and related assumptions. Based upon these reviews, the Company made adjustments to its preliminary purchase price allocation (included in the table above) which resulted in an increase to the recorded goodwill of \$4.7 million. The Company has not finalized its review of the purchase price allocation.

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Note 4—Goodwill and Other Intangible Assets

The following table sets forth changes in our goodwill and other intangible assets for the nine months ended September 30, 2011.

(In millions)	Amortizing Intangible Assets	Non-Amortizing Intangible Assets	
		Goodwill	Other
Balance at December 31, 2010	\$ 1,235.1	\$ 3,420.9	\$ 3,476.7
Acquisitions	85.4	53.1	22.7
Amortization Expense	(117.7)	—	—
Other, including foreign currency translation	0.1	(1.0)	0.9
Balance at September 30, 2011	\$ 1,202.9	\$ 3,473.0	\$ 3,500.3

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

		September 30, 2011			December 31, 2010		
(In millions)	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	8.4	\$1,456.9	\$ (461.0)	\$ 995.9	\$1,456.9	\$ (366.5)	\$1,090.4
Contract rights	3.1	192.6	(96.8)	95.8	132.5	(85.6)	46.9
Patented technology	4.5	118.9	(43.0)	75.9	93.5	(34.1)	59.4
Gaming rights	13.0	42.8	(9.6)	33.2	42.8	(7.6)	35.2
Trademarks	1.3	7.8	(5.7)	2.1	7.8	(4.6)	3.2
		<u>\$1,819.0</u>	<u>\$ (616.1)</u>	<u>1,202.9</u>	<u>\$1,733.5</u>	<u>\$ (498.4)</u>	<u>1,235.1</u>
Non-amortizing intangible assets							
Trademarks				1,916.7			1,916.7
Gaming rights				1,583.6			1,560.0
				<u>3,500.3</u>			<u>3,476.7</u>
Total intangible assets other than goodwill				\$4,703.2			\$4,711.8

The aggregate amortization of intangible assets for the nine months ended September 30, 2011 was \$117.7 million. Estimated annual amortization expense for the years ending December 31, 2011, 2012, 2013, 2014, 2015 and thereafter is \$161.5 million, \$163.2 million, \$160.9 million, \$145.5 million, \$142.3 million and \$547.2 million, respectively.

We have completed a preliminary annual impairment assessment of goodwill and other non-amortizing intangible assets as of September 30, 2011, and did not record any impairment charges as a result of this assessment. We are not able to finalize our assessment until such time as we finalize the Company's 2012 operating plan and certain other assumptions, which we expect to complete during fourth quarter 2011. Changes to the preliminary 2012 operating plan or other assumptions could require us to update our assessment, which could result in an impairment charge.

For our preliminary assessment, we determined the estimated fair value of each reporting unit as a function, or multiple, of earnings before interest, taxes, depreciation and amortization ("EBITDA"), combined with estimated future cash flows discounted at rates commensurate with the Company's capital structure and the prevailing borrowing rates within the casino industry in general. Both EBITDA multiples and discounted cash flows are common measures used to value and buy or sell cash-intensive businesses such as casinos. We determine the estimated fair values of our non-amortizing intangible assets by primarily using the Relief From Royalty Method and Excess Earnings Method under the income approach.

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Note 5—Debt

The following table presents our outstanding debt as of September 30, 2011 and December 31, 2010:

<u>Detail of Debt (dollars in millions)</u>	<u>Final Maturity</u>	<u>Rate(s) at Sept. 30, 2011</u>	<u>Face Value at Sept. 30, 2011</u>	<u>Book Value at Sept. 30, 2011</u>	<u>Book Value at Dec. 31, 2010</u>
Credit Facilities					
Term Loans B1 - B3	2015	3.23%-3.37%	\$ 5,003.9	\$ 5,003.9	\$ 5,815.1
Term Loan B4	2016	9.50%	982.5	962.9	968.3
Term Loan B5	2018	4.50%	1,222.7	1,218.0	—
Revolving Credit Facility	2014	—	—	—	—
Secured Debt					
Senior Secured Notes	2017	11.25%	2,095.0	2,053.4	2,049.7
CMBS financing	2015*	3.21%	5,031.5	5,025.7	5,182.3
Second-Priority Senior Secured Notes	2018	12.75%	750.0	741.9	741.3
Second-Priority Senior Secured Notes	2018	10.0%	4,553.1	2,104.1	2,033.3
Second-Priority Senior Secured Notes	2015	10.0%	214.8	162.0	156.2
Chester Downs term loan	2016	12.375%	233.2	224.2	237.5
PHW Las Vegas Senior Secured Loan	2015**	3.09%	517.7	427.5	423.8
Linq/Octavius Senior Secured Loan	2017	9.25%	450.0	445.7	—
Other	Various	4.25%-6.0%	0.2	0.2	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	106.8	101.6
7.0%	2013	7.0%	0.6	0.6	0.6
5.625%	2015	5.625%	364.5	283.3	273.9
6.5%	2016	6.5%	248.7	188.2	183.8
5.75%	2017	5.75%	153.7	105.9	105.5
Floating Rate Contingent Convertible Senior Notes	2024	0.303%	0.2	0.2	0.2
Other Unsecured Borrowings					
5.3% special improvement district bonds	2035	5.3%	65.7	65.7	67.1
Other	Various	Various	1.0	1.0	1.0
Capitalized Lease Obligations					
Various	to 2020	6.42%-9.8%	12.2	12.2	9.4
Total debt			22,513.6	19,620.6	18,841.1
Current portion of long-term debt			(45.5)	(45.5)	(55.6)
Long-term debt			\$ 22,468.1	\$ 19,575.1	\$ 18,785.5

* 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

** On October 26, 2011, we notified the lenders of our intent to exercise 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.

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As of September 30, 2011, book values are presented net of unamortized discounts, net of premiums, of \$2,892.9 million. Book values as of December 31, 2010 are presented net of unamortized discounts of \$3,006.6 million.

Our current maturities of debt include required interim principal payments on each of our Term Loans, our Chester Downs term loans, and the special improvement district bonds. The PHW Las Vegas senior secured loan has not been included in current maturities of debt as of September 30, 2011 based upon the Company's notification to the lenders to exercise its option to extend the maturity of this loan.

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 (as defined below).

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 to Extended Term Loans.

As of September 30, 2011, our Credit Facilities provide for senior secured financing of up to \$8,415.9 million, consisting of (i) senior secured term loan facilities in an aggregate principal amount of \$7,209.1 million with \$5,003.9 million maturing on January 28, 2015, \$982.5 million maturing on October 31, 2016 (the \$982.5 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 \$7,209.1 million face amount of borrowings were outstanding under the Credit Facilities as of September 30, 2011, with \$126.6 million of the revolving credit facility committed to outstanding letters of credit. After consideration of these borrowings and letters of credit, \$1,080.2 million of additional borrowing capacity was available to the Company under its revolving credit facility as of September 30, 2011.

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, 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

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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.

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 notified the lenders of our intent to exercise the option to extend the PHW Las Vegas senior secured loan to 2013. The loan contains an additional extension option (subject to certain conditions,) which if exercised, would extend its maturity until April 2015. 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 Ling Projects

On April 25, 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. 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. The proceeds of the Term Facility were funded during the second quarter and are included as restricted cash on the Company's balance sheet. These funds will be used by the

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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 has contributed the existing Octavius Tower and related assets to one of the Borrowers, the book value of which was \$317.2 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 \$297.9 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. CEOC has guaranteed certain of the obligations of the lessees under the Project Octavius and Project Linq leases described above.

Pursuant to the 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 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 Credit Agreement requires up to 50.0 percent 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.

Exchange Offers, Debt Purchases 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 percent second-priority senior secured notes due 2018 and used the proceeds of this offering to redeem or repay the following outstanding debt:

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<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 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 percent 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.

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 September 30, 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 percent; in each case plus an applicable margin. At September 30, 2011, borrowings under the Incremental Loans bore interest at the minimum base rate of 2.0 percent, 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 September 30, 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 September 30, 2011, the Credit Facilities bore a commitment fee for unborrowed amounts of 50 basis points.

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, payable to third party lenders on a monthly basis, at a rate per annum equal to LIBOR plus 2.859 percent. Interest only participations of PHW Las Vegas bear interest at a fixed rate equal to \$7.3 million per year, payable to the subsidiary of CEOC that owns such participations.

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 percent, in each case plus an applicable margin. At September 30, 2011, borrowings under the agreement bore interest at 1.25 percent, 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 percent 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:

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<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 Registrant, to the full extent of the actual benefit received by the Registrant. 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 and 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.

Certain covenants contained in CEOC's credit agreement require the maintenance of a senior first priority secured debt to last twelve months adjusted earnings before interest, taxes, depreciation and amortization adjusted for estimated costs savings yet to be realized ("LTM Adjusted EBITDA – Pro Forma"), as defined in the agreements, ratio ("Senior Secured Leverage Ratio"). Our credit agreement excludes from the Senior Secured Leverage Ratio (a) the \$1,375.0 million Original First Lien

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Notes issued June, 2009 and the \$720.0 million Additional First Lien Notes issued on September, 2009 and (b) up to \$350.0 million aggregate principal amount of consolidated debt of subsidiaries that are not wholly owned subsidiaries. Certain covenants contained in CEOC's credit agreement governing its senior secured credit facilities, the indenture and other agreements governing CEOC's 10.0 percent Second-Priority Senior Secured Notes due 2015 and 2018, and our first lien notes restrict our ability to take certain actions such as incurring additional debt or making acquisitions if we are unable to meet defined Adjusted EBITDA to Fixed Charges, senior secured debt to LTM Adjusted EBITDA – Pro Forma and consolidated debt to LTM Adjusted EBITDA – Pro Forma ratios. The covenants that restrict additional indebtedness and the ability to make future acquisitions require an LTM Adjusted EBITDA – Pro Forma to Fixed Charges ratio (measured on a trailing four-quarter basis) of 2.0:1.0. 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.

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 percent 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 percent 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 percent 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 6—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 September 30, 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 September 30, 2011 are as follows:

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<u>Effective Date</u>	<u>Notional Amount (in millions)</u>	<u>Fixed Rate Paid</u>	<u>Variable Rate Received as of Sept. 30, 2011</u>	<u>Next Reset Date</u>	<u>Maturity Date</u>
April 25, 2011	\$ 250.0	1.351%	0.235%	October 25, 2011	January 25, 2015
April 25, 2011	250.0	1.347%	0.235%	October 25, 2011	January 25, 2015
April 25, 2011	250.0	1.350%	0.235%	October 25, 2011	January 25, 2015
January 25, 2011	1,000.0	3.233%	0.253%	October 25, 2011	January 25, 2015
April 25, 2011	1,000.0	3.315%	0.253%	October 25, 2011	January 25, 2015
January 25, 2011	1,000.0	3.915%	0.253%	October 25, 2011	January 25, 2015
April 25, 2011	1,000.0	3.385%	0.253%	October 25, 2011	January 25, 2015
January 25, 2011	1,000.0	3.935%	0.253%	October 25, 2011	January 25, 2015

The variable rate on our interest rate swap agreements did not materially change as a result of the October 25, 2011 reset.

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

In connection with the transactions to amend and extend the swap contracts, we removed the cash flow hedging designation for those swap agreements, freezing the amount of deferred losses recorded in Accumulated Other Comprehensive Loss ("AOCL"). We are amortizing deferred losses from the amend and extend transactions and other amounts previously frozen in AOCL into income over the original remaining term of the hedged forecasted transactions that are still considered to be probable of occurring. For the quarter and nine months ended September 30, 2011, we amortized \$20.6 million and \$37.0 million, respectively, out of AOCL to interest expense. We will amortize an additional \$73.5 million out of AOCL to interest expense over the next twelve months.

During the second quarter of 2011, we re-designated \$4,310.1 million of the amended swap contracts as cash flow hedging instruments. To qualify for cash flow hedge accounting, the total designated swap amounts must match the critical terms such as notional amounts, benchmark interest rates and payment dates of the corresponding debt. At September 30, 2011, \$5,060.1 million of our total interest rate swap agreements notional amount of \$5,750.0 million are designated as hedging instruments for accounting purposes. Any future changes in fair value of the portion of the interest rate swap agreement not designated as a hedging instrument will be recognized in interest expense during the period in which the changes in value occur.

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 in January, 2008 and terminates February 13, 2013, is for a notional amount of \$6,500.0 million at a LIBOR cap rate of 4.5 percent. The CMBS interest rate cap was designated as a cash flow hedging instrument for accounting purposes in May, 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 hedges for which the forecasted future transactions are no longer probable of occurring. The following table summarizes the face value of debt extinguishments and the amount of deferred losses reclassified out of AOCL (in millions):

<u>Extinguishment Date</u>	<u>Debt Extinguished</u>	<u>Deferred Losses Reclassified</u>
June 7, 2010	\$ 46.6	\$ 0.8
September 1, 2010	123.8	1.5
December 13, 2010	191.3	3.3
March 11, 2011	108.1	1.4
April 1, 2011	50.0	0.5

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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 quarter and nine months ended September 30, 2011, we recorded \$5.2 million and \$15.7 million, respectively, as an increase to interest expense. 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.

In April, 2010, as required under the 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 interest rate of the PHW Las Vegas senior secured loan. The interest rate cap agreement is for a notional amount of \$554.3 million at a LIBOR cap rate of 5.0 percent, and matures 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. Any subsequent 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 September 30, 2011 and December 31, 2010:

(In millions)	Asset Derivatives				Liability Derivatives			
	September 30, 2011		December 31, 2010		September 30, 2011		December 31, 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	\$ —	Accrued expenses	\$ (21.6)
Interest rate swaps	Deferred charges and other	—	Deferred charges and other	11.6	Deferred credits and other	(335.1)	Deferred credits and other	(305.5)
Interest rate cap	Deferred charges and other	0.2	Deferred charges and other	3.7		—		—
Subtotal		0.2		15.3		(335.1)		(327.1)
Derivatives not designated as hedging instruments								
Interest rate swaps		—		—	Deferred credits and other	(19.7)	Deferred credits and other	(32.2)
Interest rate cap	Deferred charges and other	0.1	Deferred charges and other	1.5		—		—
Subtotal		0.1		1.5		(19.7)		(32.2)
Total Derivatives		<u>\$ 0.3</u>		<u>\$ 16.8</u>		<u>\$ (354.8)</u>		<u>\$ (359.3)</u>

The following table represents the effect of derivative instruments in the Consolidated Condensed Statements of Operations for the quarters ended September 30, 2011 and 2010 for amounts transferred into or out of AOCL:

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(In millions)	Amount of (Gain) or Loss Recognized in AOCL (Effective Portion)		Location of (Gain) or Loss Reclassified From AOCL Into Income (Effective Portion)	Amount of (Gain) or Loss Reclassified from AOCL into Income (Effective Portion)		Location of (Gain) or Loss Recognized in Income (Ineffective Portion)	Amount of (Gain) or Loss Recognized in Income (Ineffective Portion)	
	Quarter Ended	Quarter Ended		Quarter Ended	Quarter Ended		Quarter Ended	Quarter Ended
	Sept. 30, 2011	Sept. 30, 2010		Sept. 30, 2011	Sept. 30, 2010		Sept. 30, 2011	Sept. 30, 2010
Derivatives designated as hedging instruments								
Interest rate contracts	\$ 72.6	\$ 19.1	Interest expense	\$ 40.5	\$ 9.1	Interest expense	\$ (78.7)	\$ (6.4)

(In millions)	Amount of (Gain) or Loss Recognized in Income	
	Quarter Ended	Quarter Ended
	Sept. 30, 2011	Sept. 30, 2010
Derivatives not designated as hedging instruments		
Interest rate contracts	\$ 6.3	\$ 1.0

The following table represents the effect of derivative instruments in the Consolidated Condensed Statements of Operations for the nine months ended September 30, 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 Income (Effective Portion)	Amount of (Gain) or Loss Reclassified from AOCL into Income (Effective Portion)		Location of (Gain) or Loss Recognized in Income (Ineffective Portion)	Amount of (Gain) or Loss Recognized in Income (Ineffective Portion)	
	Nine Months Ended	Nine Months Ended		Nine Months Ended	Nine Months Ended		Nine Months Ended	Nine Months Ended
	Sept. 30, 2011	Sept. 30, 2010		Sept. 30, 2011	Sept. 30, 2010		Sept. 30, 2011	Sept. 30, 2010
Derivatives designated as hedging instruments								
Interest rate contracts	\$ 74.4	\$ 143.0	Interest expense	\$ 59.8	\$ 23.4	Interest expense	\$ (74.3)	\$ (55.1)

(In millions)	Amount of (Gain) or Loss Recognized in Income	
	Nine Months Ended	Nine Months Ended
	Sept. 30, 2011	Sept. 30, 2010
Derivatives not designated as hedging instruments		
Interest rate contracts	\$ 11.9	\$ 10.8

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 quarters ended September 30, 2011 and 2010 by approximately \$41.0 million and \$64.8 million, respectively. This cash settlement portion of the interest rate swap agreements increased interest expense for the nine months ended September 30, 2011 and 2010 by approximately \$158.3 million and \$199.3 million, respectively.

At September 30, 2011, our variable-rate debt, excluding the aforementioned \$5,060.1 million of variable-rate debt hedged using interest rate swap agreements, represents approximately 31.2 percent of our total debt, while our fixed-rate debt is approximately 68.8 percent of our total debt.

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Note 7—Stock-Based Employee Compensation

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 as follows:

(In millions)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Amounts included in:				
Corporate expense	\$ 4.1	\$ 1.6	\$ 10.0	\$ 9.2
Property general, administrative and other	3.3	2.3	7.6	7.3
Total Stock-Based Compensation Expense	<u>\$ 7.4</u>	<u>\$ 3.9</u>	<u>\$ 17.6</u>	<u>\$ 16.5</u>

In February 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"). The amendment provides for an increase in the available number shares of the Registrant's non-voting common stock for which options may be granted to 4,566,919 shares.

The amendment also revised 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") achieve a specified return. Previously, 50.0 percent of the performance-based options vested upon a 2x return and 50.0 percent vested upon a 3x return. The triggers have been revised to 1.5x and 2.5x, 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.

As a result of the July 2011 amendments, performance-based options will vest and become exercisable if the return on investment in the Company of the Majority Stockholders reaches at least 2.0 (rather than 2.5, which applied prior to the amendments), and if the Majority Stockholders realize a return of less than 2.0 but equal to or greater than 1.75, 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. All outstanding 2.5X performance options were amended to reflect the Vesting Adjustment described above; however, the exercise price for the outstanding 2.5X, now 2.0X, performance options was not reduced to \$35 per share. Additionally, the exercise price for all outstanding time-based options was reduced to \$35 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 Plan.

As a result of the July 8, 2011 amendments, additional expense of \$3.1 million was recognized in the third quarter of 2011. As of September 30, 2011, there was approximately \$53.2 million of total unrecognized compensation cost related to stock option grants, which includes the additional unrecognized compensation cost from the July 8, 2011 amendments.

The following is a summary of share-based option activity for the nine months ended September 30, 2011:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)
Outstanding at December 31, 2010	4,242,002	\$ 80.75	7.7
Options granted	156,669	59.90	
Canceled	(384,063)	70.60	
Outstanding at September 30, 2011	4,014,608	72.19	6.9
Exercisable at September 30, 2011	1,050,803	\$ 76.97	5.6

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The assumptions used to estimate fair value and the resulting estimated fair value of options granted during the nine months ended September 30, 2011 are as follows:

	Nine Months Ended September 30, 2011
Expected volatility	70.7%
Expected dividend yield	—
Expected term (in years)	6.21
Risk-free interest rate	2.59%
Weighted average fair value per share of options granted	\$ 30.86

Note 8—Write-downs, Reserves and Recoveries

Write-downs, reserves and recoveries 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 and recoveries are as follows:

(In millions)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Remediation costs	\$ 1.7	\$ 6.9	\$ 9.4	\$ 38.7
Efficiency projects	10.6	0.3	36.1	0.9
Loss on divested or abandoned assets	31.3	26.9	31.0	27.1
Write-down of long-term note receivable	—	—	—	52.2
Litigation reserves, awards and settlements	(4.2)	(6.0)	1.7	21.0
Flood insurance deductibles	0.2	—	4.6	—
Other	—	0.6	0.1	(3.6)
Total Write-downs, reserves and recoveries	<u>\$ 39.6</u>	<u>\$ 28.7</u>	<u>\$ 82.9</u>	<u>\$ 136.3</u>

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

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 the new initiative launched during the fourth quarter of 2010.

Loss on divested or abandoned assets for the quarter and nine months ended September 30, 2011 includes charges of \$27.1 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 the quarter and nine months ended September 30, 2010 includes charges of \$21.2 million to write off specific assets as a result of the indefinite deferral of certain capital projects in the Las Vegas and Atlantic City regions.

During the second quarter of 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 prior to December 2005. 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.

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 previously disclosed Hilton matter. An update to this matter is included in Note 11, "Commitments and Contingent Liabilities."

Flood insurance deductibles represent the deductibles incurred as a result of the temporary closures of certain properties due to flooding during the first half of 2011.

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Note 9—Income Taxes

Total income taxes were allocated as follows:

<u>Income Tax Benefit/(Provision)</u>	<u>Quarter Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Loss before income taxes	\$ 70.5	\$ 97.5	\$ 248.5	\$ 364.5
Accumulated other comprehensive loss	14.2	2.7	14.0	31.5
Goodwill	(5.3)	—	(5.3)	—
Accumulated deficit	—	—	(6.0)	—
	<u>\$ 79.4</u>	<u>\$ 100.2</u>	<u>\$ 251.2</u>	<u>\$ 396.0</u>

We classify reserves for tax uncertainties within Accrued expenses and Deferred credits and other in our Consolidated Condensed Balance Sheets, separate from any related income tax payable or deferred income taxes. Reserve amounts relate to any potential income tax liabilities (uncertain tax benefits (“UTB”)) resulting from uncertain tax positions as well as potential interest or penalties associated with those liabilities. During the quarter and nine months ended September 30, 2011, our UTB, excluding related interest and penalties, did not change significantly from our UTB at December 31, 2010.

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 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 have appealed. It is reasonably possible that this issue could be settled in the next twelve months with an estimated tax impact ranging from \$0 to \$70 million. Any tax impact of this settlement will have no impact on the Company’s effective tax rate.

Under the American Recovery and Reinvestment Act of 2009, (the “ARRA”), the Company has received temporary federal tax relief under the Delayed Recognition of Cancellation of Debt Income, (“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. For state income tax purposes, certain states have conformed to the ARRA and others have not.

Note 10—Fair Value Measurements
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 as of September 30, 2011 and December 31, 2010:

<u>(In millions)</u>	<u>Balance</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
September 30, 2011				
Assets:				
Investments	\$ 107.4	\$ 105.9	\$ 1.5	\$ —
Derivative instruments	0.3	—	0.3	—
Liabilities:				
Derivative instruments	(354.8)	—	(354.8)	—
December 31, 2010				
Assets:				
Investments	\$ 95.4	\$ 92.7	\$ 2.7	\$ —
Derivative instruments	16.8	—	16.8	—
Liabilities:				
Derivative instruments	(359.3)	—	(359.3)	—

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The following section describes the valuation methodologies used to estimate or 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 Condensed Balance Sheets.

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

<u>(In millions)</u>	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Corporate bonds	\$ 1.5	\$ 2.7
Equity securities	2.2	2.6
Government bonds	101.7	88.0
Mortgaged-backed securities	—	0.1
Other liquid investments	2.0	2.0
Total Investments	\$ 107.4	\$ 95.4

Gross unrealized gains and losses on marketable securities at September 30, 2011 and December 31, 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 Condensed 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 6, “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 September 30, 2011 for debt with similar terms and maturities, and based on market quotes of our publicly traded debt. As of September 30, 2011, the Company’s outstanding debt had a fair value of \$17,350.1 million and a carrying value of \$19,620.6 million.

Interest-only Participations – Late in 2009, a subsidiary of CEOC acquired certain interest only participations payable by certain predecessor entities of PHW Las Vegas. When the Company assumed the debt in connection with the acquisition of Planet Hollywood, these interest only participations survived the transaction and remain outstanding as an asset of a subsidiary of CEOC as of September 30, 2011. In connection with both the initial acquisition of the interest only participations and the acquisition of Planet Hollywood, the fair value of these participations was determined based upon valuations as of each date. As the Company owns 100 percent of the outstanding participations, there is no active market available to determine a trading fair value at any point in time subsequent to the acquisition. As a result, the Company does not have the ability to update the fair value of the interest only participations subsequent to their acquisition and valuation, other than by estimating fair value based upon discounted future cash flows. Since discounted cash flows were used as the primary basis for valuation upon their acquisition and are also being used as the method to determine the amortization of the value of such participations into earnings, the Company believes that the book values of the interest only participations at September 30, 2011 approximate their fair values.

Note 11—Commitments and Contingent Liabilities

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 adverse effect on our consolidated financial position or results of operations.

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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. (“Caesars”) and the Company acquired Caesars in June 2005. In 1999 and 2005, the United States District Court for the District of Columbia (the “Court”) 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. 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 a 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 may be 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.

Contractual Commitments

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 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. Our aggregate monthly commitment for the minimum guaranteed payments pursuant to the Cherokee amendment is \$84.0 million over the contract term. Currently this casino generates sufficient cash flows to cover all of its obligations, including its debt service.

CAESARS ENTERTAINMENT CORPORATION
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Note 12—Comprehensive Loss

The following activity affected comprehensive loss:

(In millions)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net loss	\$ (173.4)	\$ (163.2)	\$ (471.3)	\$ (629.3)
Defined benefit plan adjustments, net of tax	0.9	(1.1)	0.3	(0.7)
Foreign currency translation adjustments, net of tax	(13.1)	9.0	(23.1)	7.6
Fair market value of derivatives, net of tax	(59.6)	(5.3)	(65.6)	(90.4)
Reclassification of loss on derivative instruments from other comprehensive loss to interest expense, net of tax	40.3	0.1	59.5	0.4
Unrealized gains on investments, net of tax	0.9	—	1.9	—
Total comprehensive loss	<u>\$ (204.0)</u>	<u>\$ (160.5)</u>	<u>\$ (498.3)</u>	<u>\$ (712.4)</u>

Note 13—Loss Per Share

The weighted-average number of common and common equivalent shares used in the calculation of basic and diluted loss per share consisted of the following:

(In millions)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Weighted-average common shares outstanding used in the calculation of basic loss per share	71.8	60.6	71.8	54.2
Potential dilution from stock options and warrants	—	—	—	—
Weighted-average common and common equivalent shares used in the calculation of diluted loss per share	<u>71.8</u>	<u>60.6</u>	<u>71.8</u>	<u>54.2</u>
Antidilutive stock options, warrants, and convertible preferred shares excluded from the calculation of diluted loss per share	<u>3.9</u>	<u>4.4</u>	<u>3.4</u>	<u>22.9</u>

Note 14—Supplemental Cash Flow Disclosures
Cash Paid for Interest and Taxes

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

(In millions)	Nine Months Ended September 30,	
	2011	2010
Interest expense, net of interest capitalized	\$ 1,448.3	\$ 1,471.9
Adjustments to reconcile to cash paid for interest:		
Net change in accruals	(201.8)	(237.8)
Amortization of deferred finance charges	(54.0)	(59.9)
Net amortization of discounts and premiums	(122.2)	(120.2)
Amortization of accumulated other comprehensive loss	(60.6)	(31.4)
Rollover of PIK interest to principal	(1.1)	(1.1)
Change in fair value of derivative instruments	62.4	54.1
Cash paid for interest	<u>\$ 1,071.0</u>	<u>\$ 1,075.6</u>
Cash (refunds)/payments of income taxes, net	<u>\$ (2.4)</u>	<u>\$ 25.9</u>

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Significant non-cash transactions during the nine months ended September 30, 2011 include 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, “Recent Accounting Pronouncements”.

Note 15—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. In addition, we pay a monitoring fee for management services and advice. Fees paid to the Sponsors, which are included in Corporate expense in our Consolidated Condensed Statements of Operations, for the quarter and nine months ended September 30, 2011, were \$7.5 million and \$22.5 million, respectively. For the quarter and nine months ended September 30, 2010, fees paid to the Sponsors totaled approximately \$7.1 million and \$21.4 million, respectively. We also reimburse the Sponsors for expenses that they incur related to their management services.

Note 16—Consolidating Financial Information of Guarantors and Issuers

As of September 30, 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 September 30, 2011, and December 31, 2010, and for the quarters and nine months ended September 30, 2011 and 2010.

In lieu of providing separate unaudited financial statements for the guarantor subsidiaries, we have included the accompanying condensed consolidating financial statements based on the Securities and Exchange Commission’s interpretation and application of ASC 470-10-S99, (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 5, “Debt” in this 10-Q, Caesars Entertainment is in the process of completing the Octavius Tower at Caesars Palace Las Vegas and 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, which totaled \$293.2 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 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 September 30, 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 Condensed Balance Sheets, Consolidated Condensed Statements of Operations or Consolidated Condensed Statements of Cash Flows for any period presented in this 10-Q. In addition, the error had no impact on the Condensed Consolidating Statements of Operations and Condensed Consolidating Statements of Cash Flows within this footnote.

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CONDENSED CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2011

(In millions)	CEC (Parent)	Subsidiary Issuer	Guarantors	Non- Guarantors	Consolidating/ Eliminating Adjustments	Total
Assets						
Current assets						
Cash and cash equivalents	\$ 113.3	\$ 306.9	\$ 267.9	\$ 462.6	\$ —	\$ 1,150.7
Receivables, net of allowance for doubtful accounts	—	39.6	260.9	113.7	—	414.2
Deferred income taxes	—	66.6	81.2	12.3	—	160.1
Prepayments and other current assets	—	13.0	76.2	162.1	—	251.3
Inventories	—	0.5	32.1	16.4	—	49.0
Assets held for sale	—	—	2.4	—	—	2.4
Intercompany receivables	12.9	259.0	155.7	137.7	(565.3)	—
Total current assets	126.2	685.6	876.4	904.8	(565.3)	2,027.7
Land, buildings, riverboats and equipment, net of accumulated depreciation	—	228.6	9,800.2	7,333.7	—	17,362.5
Goodwill	—	—	1,646.1	1,826.9	—	3,473.0
Intangible assets other than goodwill	—	5.1	3,848.2	849.9	—	4,703.2
Investments in and advances to non-consolidated affiliates	681.0	13,656.2	653.7	966.5	(15,857.5)	99.9
Restricted cash	—	—	—	465.3	—	465.3
Deferred charges and other	5.0	332.1	183.7	213.7	—	734.5
Intercompany receivables	361.2	1,105.5	585.9	98.5	(2,151.1)	—
	<u>\$1,173.4</u>	<u>\$16,013.1</u>	<u>\$17,594.2</u>	<u>\$12,659.3</u>	<u>\$ (18,573.9)</u>	<u>\$28,866.1</u>
Liabilities and Stockholders' Equity/(Deficit)						
Current liabilities						
Accounts payable	\$ 0.3	\$ 90.8	\$ 87.3	\$ 97.8	\$ —	\$ 276.2
Interest payable	—	374.7	1.7	9.1	—	385.5
Accrued expenses	3.9	169.6	431.2	480.0	—	1,084.7
Current portion of long-term debt	—	23.5	7.0	15.0	—	45.5
Intercompany payables	7.5	80.0	277.0	200.8	(565.3)	—
Total current liabilities	11.7	738.6	804.2	802.7	(565.3)	1,791.9
Long-term debt	—	14,240.9	68.5	6,111.7	(846.0)	19,575.1
Deferred credits and other	—	645.2	164.8	98.2	—	908.2
Deferred income taxes	(0.2)	940.9	2,465.4	1,942.9	—	5,349.0
Intercompany payables	—	387.8	871.6	891.7	(2,151.1)	—
	<u>11.5</u>	<u>16,953.4</u>	<u>4,374.5</u>	<u>9,847.2</u>	<u>(3,562.4)</u>	<u>27,624.2</u>
Redeemable non-controlling interests	—	—	—	36.0	—	36.0
Caesars Entertainment Corporation Stockholders' equity/(deficit)	1,161.9	(940.3)	13,219.7	2,732.1	(15,011.5)	1,161.9
Non-controlling interests	—	—	—	44.0	—	44.0
Total Stockholders' equity/(deficit)	<u>1,161.9</u>	<u>(940.3)</u>	<u>13,219.7</u>	<u>2,776.1</u>	<u>(15,011.5)</u>	<u>1,205.9</u>
	<u>\$1,173.4</u>	<u>\$16,013.1</u>	<u>\$17,594.2</u>	<u>\$12,659.3</u>	<u>\$ (18,573.9)</u>	<u>\$28,866.1</u>

CAESARS ENTERTAINMENT CORPORATION
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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
Land, buildings, riverboats 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/(Deficit)						
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 payables	—	598.1	955.2	907.1	(2,460.4)	—
	<u>9.2</u>	<u>16,631.4</u>	<u>4,564.8</u>	<u>9,619.8</u>	<u>(3,910.1)</u>	<u>26,915.1</u>
Caesars Entertainment Corporation 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)	1,632.8	(469.1)	13,440.7	2,020.5	(14,952.3)	1,672.6
	<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>

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE QUARTER ENDED SEPTEMBER 30, 2011

(In millions)	CEC (Parent)	Subsidiary Issuer	Guarantors	Non- Guarantors	Consolidating/ Eliminating Adjustments	Total
Revenues						
Casino	\$ —	\$ 18.3	\$ 1,078.0	\$ 593.9	\$ —	\$1,690.2
Food and beverage	—	3.8	227.9	172.1	—	403.8
Rooms	—	5.0	163.3	146.7	—	315.0
Management fees	—	—	16.4	0.7	(7.4)	9.7
Other	—	7.4	96.4	102.8	(41.8)	164.8
Less: casino promotional allowances	—	(5.5)	(201.5)	(122.5)	—	(329.5)
Net revenues	—	29.0	1,380.5	893.7	(49.2)	2,254.0
Operating expenses						
Direct						
Casino	—	11.3	607.7	336.5	—	955.5
Food and beverage	—	1.6	90.7	82.2	—	174.5
Rooms	—	0.5	35.5	39.0	—	75.0
Property general, administrative and other	—	12.6	334.8	239.3	(34.9)	551.8
Depreciation	—	1.7	110.5	69.1	—	181.3
Write-downs, reserves and recoveries	—	10.6	4.3	24.7	—	39.6
Loss/(income) on interests in non-consolidated affiliates	161.7	(87.4)	(10.5)	0.1	(62.8)	1.1
Corporate expense	7.0	20.0	7.2	16.6	(14.3)	36.5
Acquisition and integration costs	(0.2)	0.1	—	1.4	—	1.3
Amortization of intangible assets	—	0.2	23.4	15.6	—	39.2
Total operating expenses	168.5	(28.8)	1,203.6	824.5	(112.0)	2,055.8
(Loss)/income from operations	(168.5)	57.8	176.9	69.2	62.8	198.2
Interest expense, net of interest capitalized	—	(413.5)	(7.3)	(74.1)	44.6	(450.3)
Other income, including interest income	3.3	14.3	3.8	31.4	(44.6)	8.2
(Loss)/income before income taxes	(165.2)	(341.4)	173.4	26.5	62.8	(243.9)
Benefit/(provision) for income taxes	1.2	148.2	(62.0)	(16.9)	—	70.5
Net (loss)/income	(164.0)	(193.2)	111.4	9.6	62.8	(173.4)
Less: net loss attributable to non-controlling interests	—	—	—	9.4	—	9.4
Net (loss)/income attributable to Caesars Entertainment Corporation	<u>\$(164.0)</u>	<u>\$ (193.2)</u>	<u>\$ 111.4</u>	<u>\$ 19.0</u>	<u>\$ 62.8</u>	<u>\$ (164.0)</u>

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

(In millions)	CEC (Parent)	Subsidiary Issuer	Guarantors	Non- Guarantors	Consolidating/ Eliminating Adjustments	Total
Revenues						
Casino	\$ —	\$ 19.9	\$ 1,161.9	\$ 602.5	\$ —	\$1,784.3
Food and beverage	—	5.1	223.3	166.6	—	395.0
Rooms	—	5.4	155.4	135.2	—	296.0
Management fees	—	—	14.5	0.5	(5.9)	9.1
Other	—	18.5	95.3	82.9	(41.2)	155.5
Less: casino promotional allowances	—	(7.0)	(217.8)	(126.6)	—	(351.4)
Net revenues	—	41.9	1,432.6	861.1	(47.1)	2,288.5
Operating expenses						
Direct						
Casino	—	12.8	644.8	353.3	—	1,010.9
Food and beverage	—	2.0	85.0	77.0	—	164.0
Rooms	—	0.5	31.5	35.2	—	67.2
Property general, administrative and other	—	16.0	335.2	221.0	(31.4)	540.8
Depreciation	—	1.8	116.1	63.5	—	181.4
Project opening costs	—	—	0.7	1.0	—	1.7
Write-downs, reserves and recoveries	—	6.6	16.2	5.9	—	28.7
Impairment of intangible assets	—	—	38.0	6.0	—	44.0
Loss/(income) on interests in non-consolidated affiliates	160.0	(94.9)	(6.7)	(0.6)	(56.1)	1.7
Corporate expense	6.2	19.0	5.0	17.9	(15.7)	32.4
Acquisition and integration costs	—	0.5	—	0.2	—	0.7
Amortization of intangible assets	—	0.2	23.3	15.8	—	39.3
Total operating expenses	166.2	(35.5)	1,289.1	796.2	(103.2)	2,112.8
(Loss)/income from operations	(166.2)	77.4	143.5	64.9	56.1	175.7
Interest expense, net of interest capitalized	(3.1)	(446.5)	(20.7)	(100.9)	47.6	(523.6)
Gains on early extinguishment of debt	—	—	—	77.4	—	77.4
Other income, including interest income	1.7	21.1	18.5	16.1	(47.6)	9.8
(Loss)/income before income taxes	(167.6)	(348.0)	141.3	57.5	56.1	(260.7)
Benefit/(provision) for income taxes	2.8	160.7	(39.1)	(26.9)	—	97.5
Net (loss)/income	(164.8)	(187.3)	102.2	30.6	56.1	(163.2)
Less: net income attributable to non-controlling interests	—	—	—	(1.6)	—	(1.6)
Net (loss)/income attributable to Caesars Entertainment Corporation	<u>\$ (164.8)</u>	<u>\$ (187.3)</u>	<u>\$ 102.2</u>	<u>\$ 29.0</u>	<u>\$ 56.1</u>	<u>\$ (164.8)</u>

CAESARS ENTERTAINMENT CORPORATION
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(UNAUDITED)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

(In millions)	CEC (Parent)	Subsidiary Issuer	Guarantors	Non- Guarantors	Consolidating/ Eliminating Adjustments	Total
Revenues						
Casino	\$ —	\$ 50.3	\$ 3,193.7	\$ 1,785.5	\$ —	\$ 5,029.5
Food and beverage	—	11.1	647.0	506.9	—	1,165.0
Rooms	—	13.4	470.8	433.0	—	917.2
Management fees	—	—	50.4	2.4	(25.1)	27.7
Other	—	32.5	288.5	286.1	(133.7)	473.4
Less: casino promotional allowances	—	(15.0)	(571.4)	(364.3)	—	(950.7)
Net revenues	—	92.3	4,079.0	2,649.6	(158.8)	6,662.1
Operating expenses						
Direct						
Casino	—	31.5	1,797.8	998.6	—	2,827.9
Food and beverage	—	5.3	260.0	235.0	—	500.3
Rooms	—	1.6	102.3	113.2	—	217.1
Property general, administrative and other	—	40.0	960.6	696.5	(104.1)	1,593.0
Depreciation	—	5.1	333.7	193.4	—	532.2
Project opening costs	—	—	3.9	0.3	—	4.2
Write-downs, reserves and recoveries	—	38.7	12.7	31.5	—	82.9
Loss/(income) on interests in non-consolidated affiliates	462.3	(316.1)	(36.5)	3.0	(108.5)	4.2
Corporate expense	17.2	75.2	15.5	61.9	(54.7)	115.1
Acquisition and integration costs	—	0.5	1.1	2.0	—	3.6
Amortization of intangible assets	—	0.5	70.4	46.8	—	117.7
Total operating expenses	479.5	(117.7)	3,521.5	2,382.2	(267.3)	5,998.2
(Loss)/income from operations	(479.5)	210.0	557.5	267.4	108.5	663.9
Interest expense, net of interest capitalized	—	(1,328.9)	(25.5)	(241.0)	147.1	(1,448.3)
Gains on early extinguishments of debt	—	—	—	47.9	—	47.9
Other income, including interest income	10.0	37.9	13.2	102.7	(147.1)	16.7
(Loss)/income before income taxes	(469.5)	(1,081.0)	545.2	177.0	108.5	(719.8)
Benefit/(provision) for income taxes	2.5	496.1	(194.1)	(56.0)	—	248.5
Net (loss)/income	(467.0)	(584.9)	351.1	121.0	108.5	(471.3)
Less: net income attributable to non-controlling interests	—	—	—	4.3	—	4.3
Net (loss)/income attributable to Caesars Entertainment Corporation	<u><u>\$ (467.0)</u></u>	<u><u>\$ (584.9)</u></u>	<u><u>\$ 351.1</u></u>	<u><u>\$ 125.3</u></u>	<u><u>\$ 108.5</u></u>	<u><u>\$ (467.0)</u></u>

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
(UNAUDITED)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

<u>(In millions)</u>	<u>CEC</u> <u>(Parent)</u>	<u>Subsidiary</u> <u>Issuer</u>	<u>Guarantors</u>	<u>Non-</u> <u>Guarantors</u>	<u>Consolidating/</u> <u>Eliminating</u> <u>Adjustments</u>	<u>Total</u>
Revenues						
Casino	\$ —	\$ 55.1	\$ 3,421.9	\$ 1,774.3	\$ —	\$ 5,251.3
Food and beverage	—	14.6	659.1	484.1	—	1,157.8
Rooms	—	14.4	450.7	393.4	—	858.5
Management fees	—	2.6	46.0	1.1	(18.5)	31.2
Other	—	37.1	273.6	236.7	(107.5)	439.9
Less: casino promotional allowances	—	(19.0)	(646.9)	(375.2)	—	(1,041.1)
Net revenues	—	104.8	4,204.4	2,514.4	(126.0)	6,697.6
Operating expenses						
Direct						
Casino	—	35.3	1,923.7	1,023.9	—	2,982.9
Food and beverage	—	6.0	246.2	217.5	—	469.7
Rooms	—	1.6	92.8	101.1	—	195.5
Property general, administrative and other	—	33.6	1,003.0	638.8	(95.4)	1,580.0
Depreciation	—	5.5	357.8	184.8	—	548.1
Project opening costs	—	—	2.0	2.0	—	4.0
Write-downs, reserves and recoveries	—	27.8	85.8	22.7	—	136.3
Impairment of intangible assets	—	—	138.0	6.0	—	144.0
Loss/(income) on interests in non-consolidated affiliates	622.6	(193.1)	(22.4)	0.3	(405.3)	2.1
Corporate expense	17.0	63.4	16.7	37.3	(30.6)	103.8
Acquisition and integration costs	—	0.9	0.9	6.5	—	8.3
Amortization of intangible assets	—	0.5	74.6	46.6	—	121.7
Total operating expenses	639.6	(18.5)	3,919.1	2,287.5	(531.3)	6,296.4
(Loss)/income from operations	(639.6)	123.3	285.3	226.9	405.3	401.2
Interest expense, net of interest capitalized	(3.1)	(1,274.0)	(62.6)	(296.2)	164.0	(1,471.9)
(Losses)/gains on early extinguishments of debt	—	(4.5)	—	53.2	—	48.7
Other income, including interest income	1.8	55.7	50.1	84.6	(164.0)	28.2
(Loss)/income before income taxes	(640.9)	(1,099.5)	272.8	68.5	405.3	(993.8)
Benefit/(provision) for income taxes	6.5	491.2	(106.6)	(26.6)	—	364.5
Net (loss)/income	(634.4)	(608.3)	166.2	41.9	405.3	(629.3)
Less: net income attributable to non-controlling interests	—	—	—	(5.1)	—	(5.1)
Net (loss)/income attributable to Caesars Entertainment Corporation	<u>\$ (634.4)</u>	<u>\$ (608.3)</u>	<u>\$ 166.2</u>	<u>\$ 36.8</u>	<u>\$ 405.3</u>	<u>\$ (634.4)</u>

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
(UNAUDITED)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

(in millions)	CEC (Parent)	Subsidiary Issuer	Guarantors	Non- Guarantors	Consolidating/ Eliminating Adjustments	Total
Cash flows provided by/(used in) operating activities	\$ 169.4	\$ (62.6)	\$ 2.8	\$ 205.3	\$ —	\$ 314.9
Cash flows (used in)/provided by investing activities						
Land, buildings, riverboats and equipment additions, net of change in construction payables	—	(8.8)	(83.1)	(73.0)	—	(164.9)
Change in restricted cash	—	—	—	(544.0)	—	(544.0)
Investments in subsidiaries/payments to acquire a business, net of transaction costs	(108.5)	(103.2)	(15.6)	(19.0)	227.3	(19.0)
Payments to acquire certain gaming rights	—	—	—	(22.7)	—	(22.7)
Investments in/advances to non-consolidated affiliates and other	—	—	—	(76.0)	—	(76.0)
Proceeds from other asset sales	—	—	1.4	—	—	1.4
Other	—	—	(5.2)	(5.0)	—	(10.2)
Cash flows (used in)/provided by investing activities	(108.5)	(112.0)	(102.5)	(739.7)	227.3	(835.4)
Cash flows provided by/(used in) financing activities						
Proceeds from issuance of long-term debt	—	418.3	—	445.5	—	863.8
Debt issuance costs and fees	—	(3.2)	—	(14.3)	—	(17.5)
Borrowings under lending agreements	—	135.0	—	—	—	135.0
Repayments under lending agreements	—	(135.0)	—	—	—	(135.0)
Cash paid in connection with early extinguishment of debt	—	—	(1.2)	(124.7)	—	(125.9)
Scheduled debt retirements	—	(19.3)	—	(15.1)	—	(34.4)
Non-controlling interests' contributions, net of distributions	—	—	—	4.8	—	4.8
Other	(1.6)	—	(5.0)	—	—	(6.6)
(Distributions to) and transfers from affiliates, net	(82.0)	24.7	15.6	269.0	(227.3)	—
Cash flows (used in)/provided by financing activities	(83.6)	420.5	9.4	565.2	(227.3)	684.2
Net (decrease)/increase in cash and cash equivalents	(22.7)	245.9	(90.3)	30.8	—	163.7
Cash and cash equivalents, beginning of period	136.0	61.0	358.2	431.8	—	987.0
Cash and cash equivalents, end of period	\$ 113.3	\$ 306.9	\$ 267.9	\$ 462.6	\$ —	\$1,150.7

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
(UNAUDITED)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(In millions)	CEC (Parent)	Subsidiary Issuer	Guarantors	Non- Guarantors	Consolidating/ Eliminating Adjustments	Total
Cash flows provided by/(used in) operating activities	\$ 644.1	\$ (117.6)	\$ (122.5)	\$ (95.6)	\$ —	\$ 308.4
Cash flows (used in)/provided by investing activities						
Land, buildings, riverboats and equipment additions, net of change in construction payables	—	(3.1)	(78.6)	(42.9)	—	(124.6)
Investment in subsidiaries/payments to acquire a business, net of transaction costs	—	(0.2)	(0.9)	(43.5)	—	(44.6)
Payment made for partnership interest	—	—	—	(19.5)	—	(19.5)
Payment made for Pennsylvania gaming rights	—	—	—	(16.5)	—	(16.5)
Cash acquired in business acquisition, net	—	(18.6)	—	33.0	—	14.4
Investments in/advances to non-consolidated affiliates and other	—	—	(5.0)	—	—	(5.0)
Proceeds from other asset sales	—	—	14.3	—	—	14.3
Other	—	—	(10.6)	(3.8)	—	(14.4)
Cash flows used in investing activities	—	(21.9)	(80.8)	(93.2)	—	(195.9)
Cash flows provided by/(used in) financing activities						
Proceeds from the issuance of long-term debt	—	740.8	—	551.4	—	1,292.2
Debt issuance costs and fees	—	(17.8)	—	(41.1)	—	(58.9)
Borrowings under lending agreements	—	1,175.0	—	—	—	1,175.0
Repayments under lending agreements	—	(1,602.0)	—	(3.0)	—	(1,605.0)
Cash paid in connection with early extinguishment of debt	—	(219.9)	—	(53.6)	—	(273.5)
Scheduled debt retirements	—	(191.0)	—	(23.7)	—	(214.7)
Non-controlling interests' distributions, net of contributions	—	—	—	(5.8)	—	(5.8)
Other	(1.3)	—	(6.6)	(0.4)	—	(8.3)
(Distributions to) and transfers from affiliates, net	(448.8)	650.5	26.7	(228.4)	—	—
Cash flows (used in)/provided by financing activities	(450.1)	535.6	20.1	195.4	—	301.0
Effect of deconsolidation of variable interest entities	—	—	—	(7.9)	—	(7.9)
Net increase/(decrease) in cash and cash equivalents	194.0	396.1	(183.2)	(1.3)	—	405.6
Cash and cash equivalents, beginning of period	122.7	(15.6)	445.2	365.8	—	918.1
Cash and cash equivalents, end of period	\$ 316.7	\$ 380.5	\$ 262.0	\$ 364.5	\$ —	\$ 1,323.7

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial position and operating results of Caesars Entertainment for the quarters and nine months ended September 30, 2011 and 2010 should be read in conjunction with Management’s Discussion and Analysis of Financial Condition and Results of Operations presented in the 2010 10-K.

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 therefore believe 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. In order to provide more meaningful information than would be possible on either a consolidated basis or an individual property basis, our casino properties as of September 30, 2011, have been grouped into regions as follows to facilitate discussion of our operating results:

<u>Las Vegas</u> Caesars Palace Bally’s Las Vegas Flamingo Las Vegas ⁽¹⁾ Harrah’s Las Vegas Paris Las Vegas Rio Imperial Palace Bill’s Gamblin’ Hall & Saloon Planet Hollywood Resort & Casino ⁽²⁾	<u>Atlantic City</u> Harrah’s Atlantic City Showboat Atlantic City Bally’s Atlantic City Caesars Atlantic City Harrah’s Chester ⁽³⁾	<u>Louisiana/Mississippi</u> Harrah’s New Orleans Harrah’s Louisiana Downs Horseshoe Bossier City Grand Biloxi Harrah’s Tunica Horseshoe Tunica Tunica Roadhouse Hotel & Casino	<u>Iowa/Missouri</u> Harrah’s St. Louis Harrah’s North Kansas City Harrah’s Council Bluffs Horseshoe Council Bluffs/ Bluffs Run
<u>Illinois/Indiana</u> Horseshoe Southern Indiana Harrah’s Joliet ⁽⁴⁾ Harrah’s Metropolis Horseshoe Hammond	<u>Other Nevada</u> Harrah’s Reno Harrah’s Lake Tahoe Harveys Lake Tahoe Harrah’s Laughlin	<u>Managed and International</u> Harrah’s Ak-Chin ⁽⁵⁾ Harrah’s Cherokee ⁽⁵⁾ Harrah’s Rincon ⁽⁵⁾ Conrad Punta del Este ⁽³⁾ Caesars Windsor ⁽⁶⁾ London Clubs International ⁽⁷⁾	

⁽¹⁾ Includes O’Shea’s Casino, which is adjacent to this property.

⁽²⁾ Acquired in February, 2010.

⁽³⁾ We have an approximately 95 percent ownership interest in and manage this property.

⁽⁴⁾ We have an 80 percent ownership interest in and manage this property.

⁽⁵⁾ Managed.

⁽⁶⁾ We have a 50 percent interest in Windsor Casino Limited, which operates this property. The province of Ontario owns the complex.

⁽⁷⁾ We own, operate or manage ten casino clubs in the provinces of the United Kingdom and two in Egypt. We have a 70 percent ownership interest in and manage one casino club in South Africa.

CONSOLIDATED OPERATING RESULTS

Because the financial results for 2010 include impairment charges, the following tables present separately income from operations before impairment charges and operating margin before impairment charges to provide an understanding of our business without consideration of impairments due to the lack of comparability of these charges from period-to-period. This presentation is not in accordance with U.S. GAAP.

(\$ in millions)	Quarter Ended September 30,		Percent Increase/ (Decrease)	Nine Months Ended September 30,		Percent Increase/ (Decrease)
	2011	2010		2011	2010	
Casino revenues	\$1,690.2	\$1,784.3	(5.3)%	\$5,029.5	\$5,251.3	(4.2)%
Net revenues	2,254.0	2,288.5	(1.5)%	6,662.1	6,697.6	(0.5)%
Income from operations	198.2	175.7	12.8%	663.9	401.2	65.5%
Impairment of intangible assets, including goodwill	—	44.0	N/M	—	144.0	N/M
Income from operations before impairment charges	198.2	219.7	(9.8)%	663.9	545.2	21.8%
Net loss attributable to Caesars Entertainment Corporation	(164.0)	(164.8)	(0.5)%	(467.0)	(634.4)	(26.4)%
Operating margin	8.8%	7.7%	1.1 pts	10.0%	6.0%	4.0 pts
Operating margin before impairment charges	8.8%	9.6%	(0.8) pts	10.0%	8.1%	1.9 pts

N/M = Not Meaningful

The Company measures its performance in part through tracking of trips by rated players (“trips”) and spend per rated-player trip (“spend per trip”). On a consolidated basis, trips in 2011 decreased 5.1 percent for the third quarter and 7.4 percent for the nine months from the year-ago periods, while spend per trip increased 3.0 percent for the third quarter and 4.1 percent for the nine months. The third-quarter trip declines were the result of temporary closures in the Atlantic City region due to Hurricane Irene and reduced access to one of our properties in the Illinois/Indiana region, as well as the impact of marketing programs on trip frequency of certain customer segments in all regions. The trip declines in the nine-month period of 2011 also included temporary closures of seven of our properties in the Illinois/Indiana and Louisiana/Mississippi regions during the first half of 2011 due to flooding and severe weather conditions. Cash average daily room rates for 2011 increased 7.4 percent in the third quarter and 5.8 percent for the nine months, and total occupancy percentages increased 1.3 percentage points for both the third-quarter and nine-month periods when compared to 2010.

Third-Quarter Results

Caesars Entertainment’s 2011 third-quarter revenues decreased 1.5 percent to \$2,254.0 million from \$2,288.5 million in 2010. The decrease primarily reflects declines in our U.S. operations outside of Nevada due to a number of factors. Hurricane Irene, which made landfall in New Jersey in August 2011, caused temporary closures of four of our properties in the Atlantic City region during one of the final weekends of the peak summer season. The Company estimates that the closures reduced revenues by approximately \$22 million to \$27 million and reduced income from operations by approximately \$15 million to \$20 million. New competition in July 2011 caused unfavorable comparisons in the Illinois/Indiana region. These declines were partially offset by positive fundamentals in the Las Vegas and Other Nevada regions as well as the Uruguay and London Clubs properties.

Income from operations for the 2011 third quarter increased to \$198.2 million from \$175.7 million in 2010. Income from operations in 2010 included impairment charges related to goodwill and other non-amortizing intangible assets of \$44.0 million. Prior to consideration of the 2010 impairment charges, income from operations decreased in the third-quarter 2011 to \$198.2 million from \$219.7 million for 2010. The decrease was due in part to the hurricane in Atlantic City, as well as the income impact of other revenue declines in the Midwest, offset in part by decreased property operating expenses.

Net loss attributable to Caesars for the third-quarter 2011 was \$164.0 million, compared with \$164.8 million for the year-ago quarter. The net loss in 2010 included gains related to the early extinguishment of debt of \$77.4 million (\$49.4 million, net of taxes).

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Nine-Month Results

Caesars Entertainment's nine-month revenues for 2011 were down compared with 2010. The decline was due to the third-quarter 2011 regional revenue declines mentioned above, including the effects of Hurricane Irene, as well as the temporary closures of seven properties in the Illinois/Indiana and Louisiana/Mississippi regions due to flooding and severe weather conditions in the first half of 2011. These declines were partially mitigated by steadily improving fundamentals in the Las Vegas region and the full nine-month impact of Planet Hollywood Las Vegas, which was acquired in February 2010.

Income from operations for the nine-months 2011 increased to \$663.9 million from \$401.2 million in 2010. Included in income from operations for 2010 were impairment charges related to goodwill and other non-amortizing intangible assets of \$144.0 million. Prior to consideration of the 2010 impairment charges, income from operations for 2011 increased to \$663.9 million from \$545.2 million in 2010. The increase was attributable to reduced property operating expenses resulting from the company's cost-reduction efforts, reduced and more focused marketing expenditures, reduced depreciation expense, and the effect of the second quarter 2010 charges of \$52.2 million to fully reserve a note-receivable balance related to a venture for development of a casino project in Philadelphia, and \$25.0 million relating to a previously disclosed contingency, with no comparable amounts in 2011.

Net loss attributable to Caesars for the nine-months 2011 was \$467.0 million, compared with a net loss of \$634.4 million for 2010. The net losses included gains related to the early extinguishment of debt of \$47.9 million (\$30.5 million, net of taxes) and \$48.7 million (\$31.0 million, net of taxes) for the nine months 2011 and 2010, respectively.

REGIONAL OPERATING RESULTS

Las Vegas property trips for 2011 rose 3.0 percent for the third quarter and 3.7 percent for the nine months from the year-ago periods, and the amount spent per trip in 2011 increased 3.1 percent for the third quarter and 4.6 percent for the nine months. Hotel revenues increased in 2011 by 10.8 percent for the third quarter and 12.4 percent for the nine months. Cash average daily room rates increased in 2011 by 9.5 percent and 7.5 percent, and total occupancy percentages rose 3.3 and 3.7 percentage points for the third-quarter and nine-month periods, respectively.

Atlantic City property trips decreased in 2011 by 3.3 percent for lodgers and 7.0 percent for non-lodgers for the third quarter, and 1.1 percent for lodgers and 6.0 percent for non-lodgers for the nine months. Spend per trip in 2011 decreased 2.2 percent for lodgers and 1.5 percent for non-lodgers for the third quarter, and 2.1 percent for lodgers and 2.2 percent for non-lodgers for the nine months. Trip declines in the third quarter were directly impacted by the temporary property closures as a result of Hurricane Irene.

On a combined basis, for the remainder of the Company's U.S. markets, trips decreased in 2011 by 6.7 percent for the third quarter and 11.8 percent for the nine months. However, the amount spent per trip in 2011 increased 4.1 percent for the third quarter and 4.9 percent for the nine months. Trip declines in both periods can be attributed to more focused marketing targeted to certain customer segments. The declines for the nine-month period were further impacted by the temporary property closures in the first half of 2011 due to flooding and severe weather conditions.

Further discussion of results by region follow:

Las Vegas Region

(\$ in millions)	Quarter Ended September 30,		Percent Increase/ (Decrease)	Nine Months Ended September 30,		Percent Increase/ (Decrease)
	2011	2010		2011	2010	
Casino revenues	\$369.1	\$383.8	(3.8)%	\$1,157.3	\$1,127.5	2.6%
Net revenues	733.1	712.6	2.9%	2,245.9	2,108.1	6.5%
Income from operations	88.2	71.0	24.2%	348.4	249.0	39.9%
Operating margin	12.0%	10.0%	2.0 pts	15.5%	11.8%	3.7 pts

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Net revenues increased 2.9 percent and 6.5 percent in the 2011 third quarter and nine months, respectively, as a result of increases in both property trips and the amount spent per trip. Net revenues were also increased by higher total occupancy percentages and cash average daily room rates for both the 2011 third-quarter and nine-month periods. These trends demonstrate continued strengthening in the fundamentals for this region. Net revenues for the nine months 2011 also include the full nine-month impact of Planet Hollywood Las Vegas, which was acquired in February 2010. Income from operations for the 2011 third quarter and nine months increased significantly from the 2010 periods due to the income impact of increased net revenues. Included in income from operations are decreases in property remediation costs of \$5.2 million and \$29.2 million for the 2011 third-quarter and nine-month periods, respectively, as well as decreases of \$9.8 million for assets written off in the 2010 third quarter for which there was no comparable amount in 2011. Remediation costs and asset write offs are included in Write-downs, reserves and recoveries of the Consolidated Condensed Statement of Operations.

On April 25, 2011, the financing was completed for Project Octavius and Project Linq. The Company has resumed work towards the completion of the Octavius Tower's 662 rooms, including 75 luxury suites and construction on Project Linq has commenced.

Atlantic City Region

(\$ in millions)	Quarter Ended September 30,		Percent Increase/ (Decrease)	Nine Months Ended September 30,		Percent Increase/ (Decrease)
	2011	2010		2011	2010	
Casino revenues	\$422.1	\$468.9	(10.0)%	\$1,227.6	\$1,326.2	(7.4)%
Net revenues	497.5	536.8	(7.3)%	1,424.2	1,482.2	(3.9)%
Income from operations	39.7	50.9	(22.0)%	93.6	100.2	(6.6)%
Operating margin	8.0%	9.5%	(1.5) pts	6.6%	6.8%	(0.2) pts

Hurricane Irene, which made landfall in New Jersey in August 2011, caused temporary closures of four of our properties in the Atlantic City region during one of the final weekends of the peak summer season. The Company estimates that the closures reduced net revenues by approximately \$22 million to \$27 million and reduced income from operations by approximately \$15 million to \$20 million. In addition, revenues in the region continued to be affected by competition from new casinos and the mid-2010 introduction of table games in the Pennsylvania market. Income from operations for the 2011 periods was lower as a result of the income impact of reduced net revenues, partially offset by reduced property operating expenses due to reduced and more focused marketing expenses, lower depreciation expense and reduced payroll-related and property tax expenses. Included in income from operations are decreases of \$11.4 million for assets written off in the 2010 third quarter for which there was no comparable amount in 2011. Asset write offs are included in Write-downs, reserves and recoveries of the Consolidated Condensed Statement of Operations.

Louisiana/Mississippi Region

(\$ in millions)	Quarter Ended September 30,		Percent Increase/ (Decrease)	Nine Months Ended September 30,		Percent Increase/ (Decrease)
	2011	2010		2011	2010	
Casino revenues	\$267.8	\$278.5	(3.8)%	\$775.4	\$833.0	(6.9)%
Net revenues	291.7	303.1	(3.8)%	845.5	908.8	(7.0)%
Income from operations	35.4	36.6	(3.3)%	106.0	38.2	N/M
Impairment of intangible assets, including goodwill	—	—	N/M	—	51.0	N/M
Income from operations before impairment charges	35.4	36.6	(3.3)%	106.0	89.2	18.8%
Operating margin	12.1%	12.1%	—	12.5%	4.2%	8.3 pts
Operating margin before impairment charges	12.1%	12.1%	—	12.5%	9.8%	2.7 pts

Net revenues in the region decreased for the 2011 third quarter and nine months due to decreased trips. However, spend per trip increased. Net revenues for the 2011 nine months were further reduced by the temporary closures of three properties in the region in the first-half 2011 due to flooding and severe weather conditions. Included in the 2010 nine months income from operations was an impairment charge of \$51.0 million related to goodwill and other non-amortizing intangible assets at one of the region's properties. Income from operations decreased for the third quarter; however, prior to the consideration of the 2010

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impairment charge, improved for the nine months as costs incurred during the first-half 2011 closures, as well as those connected with restoring the affected properties to operating condition, of approximately \$21 million have not been expensed, but instead have been recorded as a receivable from third-party insurance providers. The 2010 nine-month results include a one-time rent adjustment paid to the City of New Orleans in the amount of \$6.4 million.

Iowa/Missouri Region

(\$ in millions)	Quarter Ended September 30,		Percent Increase/ (Decrease)	Nine Months Ended September 30,		Percent Increase/ (Decrease)
	2011	2010		2011	2010	
Casino revenues	\$172.1	\$174.4	(1.3)%	\$511.6	\$524.3	(2.4)%
Net revenues	184.2	186.6	(1.3)%	546.7	560.3	(2.4)%
Income from operations	45.9	36.5	25.8%	137.6	128.6	7.0%
Impairment of intangible assets, including goodwill	—	9.0	N/M	—	9.0	N/M
Income from operations before impairment charges	45.9	45.5	0.9%	137.6	137.6	— %
Operating margin	24.9%	19.6%	5.3 pts	25.2%	23.0%	2.2 pts
Operating margin before impairment charges	24.9%	24.4%	0.5 pts	25.2%	24.6%	0.6 pts

Net revenues in the region decreased for the 2011 third quarter and nine months due to increased competitive pressures in the region and reduced trips. However, spend per trip increased. Included in the 2010 third-quarter and nine-months income from operations was an impairment charge of \$9.0 million related to goodwill and other non-amortizing intangible assets at one of the region's properties. Prior to the consideration of the 2010 impairment charge, income from operations for the 2011 third quarter and nine months were relatively flat due to reduced property operating expenses as a result of continued focus on effective cost management through the implementation of the Company's efficiency projects, which offset the income impact of net revenue declines.

Illinois/Indiana Region

(\$ in millions)	Quarter Ended September 30,		Percent Increase/ (Decrease)	Nine Months Ended September 30,		Percent Increase/ (Decrease)
	2011	2010		2011	2010	
Casino revenues	\$249.1	\$288.1	(13.5)%	\$775.5	\$880.7	(11.9)%
Net revenues	260.2	289.4	(10.1)%	806.1	881.9	(8.6)%
Income from operations	30.5	16.7	82.6%	110.2	93.9	17.4%
Impairment of intangible assets, including goodwill	—	20.0	N/M	—	20.0	N/M
Income from operations before impairment charges	30.5	36.7	(16.9)%	110.2	113.9	(3.2)%
Operating margin	11.7%	5.8%	5.9 pts	13.7%	10.6%	3.1 pts
Operating margin before impairment charges	11.7%	12.7%	(1.0) pts	13.7%	12.9%	0.8 pts

Net revenues in the region decreased for the 2011 third quarter due to new competition and limited direct access by customers to one of our properties caused by a bridge closure, both of which resulted in decreased trips. However, spend per trip increased. Net revenues for the nine months were further reduced by the temporary closures of four properties in the region in the first half of 2011 due to flooding and severe weather conditions. Included in the 2010 third-quarter and nine-month income from operations was an impairment charge of \$20.0 million related to goodwill and other non-amortizing intangible assets at one of the region's properties. Prior to consideration of the 2010 impairment charge, income from operations decreased for the third quarter; however, the decrease for the nine months was partially offset as costs incurred during the first-half closures, as well as those connected with restoring the affected properties to operating condition, of approximately \$12 million have not been expensed, but instead have been recorded as a receivable from third-party insurance providers.

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Other Nevada Region

(\$ in millions)	Quarter Ended September 30,		Percent Increase/ (Decrease)	Nine Months Ended September 30,		Percent Increase/ (Decrease)
	2011	2010		2011	2010	
Casino revenues	\$107.7	\$101.1	6.5%	\$274.8	\$275.8	(0.4)%
Net revenues	140.9	132.7	6.2%	355.1	353.5	0.5%
Income/(loss) from operations	30.3	18.5	63.8%	48.4	(12.7)	N/M
Impairment of intangible assets, including goodwill	—	—	N/M	—	49.0	N/M
Income from operations before impairment charges	30.3	18.5	63.8%	48.4	36.3	33.3%
Operating margin	21.5%	13.9%	7.6 pts	13.6%	(3.6)%	17.2 pts
Operating margin before impairment charges	21.5%	13.9%	7.6 pts	13.6%	10.3%	3.3 pts

Third-quarter and nine-month 2011 net revenues for the region rose from the 2010 periods due to increased trips. Included in the 2010 nine-months loss from operations was an impairment charge of \$49.0 million related to goodwill and other non-amortizing intangible assets at one of the region's properties. Prior to the consideration of the nine-months 2010 impairment charge, third-quarter and nine-months 2011 income from operations increased due to the income impact of increased revenues and improved operating margins due to effective cost management.

Managed and International

(\$ in millions)	Quarter Ended September 30,		Percent Increase/ (Decrease)	Nine Months Ended September 30,		Percent Increase/ (Decrease)
	2011	2010		2011	2010	
Net revenues	\$124.5	\$109.0	14.2%	\$373.1	\$349.9	6.6%
Income/(loss) from operations	2.0	(7.3)	N/M	24.0	14.7	63.3%
Impairment of intangible assets, including goodwill	—	6.0	N/M	—	6.0	N/M
Income/(loss) from operations before impairment charges	2.0	(1.3)	N/M	24.0	20.7	15.9%
Operating margin	1.6%	(6.7)%	8.3 pts	6.4%	4.2%	2.2 pts
Operating margin before impairment charges	1.6%	(1.2)%	2.8 pts	6.4%	5.9%	0.5 pts

Net revenue increases during the 2011 third quarter were attributable to increases in spend per trip at the Company's Uruguay and London Clubs properties. Net revenue for the nine months 2011 were further increased by the full nine-month impact of our acquisition of Thistledown Racetrack in July 2010, and were partially offset by declines experienced by our two properties in Egypt due to political uprisings earlier in the year. Included in the 2010 third-quarter and nine-months results of operations was an impairment charge of \$6.0 million related to the impairment of intangible assets at one of the region's properties. Prior to the consideration of the 2010 impairment charge, income/(loss) from operations increased due primarily to the income impact of increased net revenues.

Other Factors Affecting Net Income

(\$ in millions) Expense/(Income)	Quarter Ended September 30,		Percent Increase/ (Decrease)	Nine Months Ended September 30,		Percent Increase/ (Decrease)
	2011	2010		2011	2010	
Write-downs, reserves and recoveries	\$ 39.6	\$ 28.7	38.0%	\$ 82.9	\$ 136.3	(39.2)%
Impairment of intangible assets, including goodwill	—	44.0	N/M	—	144.0	N/M
Corporate expense	36.5	32.4	12.7%	115.1	103.8	10.9%
Amortization of intangible assets	39.2	39.3	(0.3)%	117.7	121.7	(3.3)%
Interest expense, net	450.3	523.6	(14.0)%	1,448.3	1,471.9	(1.6)%
Gains on early extinguishments of debt	—	(77.4)	N/M	(47.9)	(48.7)	(1.6)%
Effective income tax rate benefit	28.9%	37.4%	(8.5) pts	34.5%	36.7%	(2.2) pts

N/M= Not Meaningful

Write-downs, reserves and recoveries

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

Write-downs, reserves and recoveries increased \$10.9 million for the third quarter primarily due to increases in costs associated with the implementation of our efficiency projects. Write-downs, reserves and recoveries for the nine months decreased \$53.4 million due to decreases in remediation costs of \$29.2 million, and the effect of the second quarter 2010 charges of \$52.2 million to fully reserve a note-receivable balance related to a venture for development of a casino project in Philadelphia, and \$25.0 million relating to a previously disclosed contingency, with no comparable amounts in 2011. These decreases were offset in part by an increase in costs associated with the implementation of our efficiency projects of \$35.2 million.

Impairment of intangible assets

Our preliminary annual impairment assessment of goodwill and other non-amortizing intangibles assets as of September 30, 2011 did not result in any impairment charges. During 2010, due to the impact of weak economic conditions on certain properties, we performed an interim 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 of 2010, 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 which brought the aggregate charges recorded for the nine months 2010 to \$144.0 million.

Interest expense

Interest expense decreased \$73.3 million and \$23.6 million for the quarter and nine months ended September 30, 2011, respectively, compared to the same periods in 2010. Interest expense is reported net of capitalized interest of \$11.6 million and \$0.4 million for the quarters ended September 30, 2011 and 2010, respectively, and net of capitalized interest of \$12.3 million and \$1.1 million for the nine months ended September 30, 2011 and 2010, respectively. The majority of the capitalized interest in 2011 relates to the completion of the Octavius Tower at Caesars Palace Las Vegas. Prior to the consideration of capitalized interest, interest expense decreased by \$62.1 million and \$12.4 million for the quarter and nine months ended September 30, 2011, respectively, compared to the same periods in 2010 due to changes in fair values of derivative instruments, the impact of 2011 swap amendments and lower outstanding debt levels during the three- and nine-month periods when compared to the same periods in 2010. The decreases were partially offset by additional amortization of deferred losses frozen in AOCL and additional interest expense associated with new debt issuances. Interest expense for the quarter ended September 30, 2011, as a result of interest rate swap agreements and interest rate cap agreements, includes (i) \$78.7 million of gains due to measured ineffectiveness and amounts excluded from effectiveness testing for derivatives designated as hedging instruments; (ii) \$6.3 million of expense due to changes in fair value for derivatives not designated as hedging instruments; and (iii) \$40.5 million of expense due to amortization of deferred losses frozen in AOCL. Interest expense for the nine months ended September 30, 2011, as a result of interest rate swap agreements and interest rate cap agreements, includes (i) \$74.3 million of gains due to measured ineffectiveness and amounts excluded from effectiveness testing for derivatives designated as hedging instruments;

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(ii) \$11.9 million of expense due to changes in fair value for derivatives not designated as hedging instruments; and (iii) \$59.8 million of expense due to amortization of deferred losses frozen in AOCL.

Gains on early extinguishments of debt

The Company did not have any early extinguishments of debt during the 2011 third quarter. During the third-quarter 2010, the Company recognized a pre-tax gain on early extinguishments of debt of \$77.4 million as a result of the Company's repurchase of \$123.8 million face value of CMBS Loans. During the nine months 2011, the Company recognized a pre-tax gain on early extinguishments of debt of \$47.9 million as the result of the March and April 2011 CMBS Loan repurchases previously disclosed. During the nine months 2010, the Company recognized a pre-tax net gain on early extinguishments of debt of \$48.7 million as a result of the third-quarter 2010 transaction noted above and the transactions recorded in the first and second quarters of 2010 to repurchase CMBS Loans and completion of an offering that retired outstanding senior and senior subordinated notes.

Income tax benefit

The Company's third-quarter 2011 effective tax rate benefit was 28.9 percent, compared with an effective tax rate benefit of 37.4 percent for the third-quarter 2010. The decrease in the effective tax rate benefit for 2011 was due primarily to losses incurred in various state and foreign jurisdictions for which we did not provide a tax benefit in 2011 and from nondeductible losses on our company-owned life insurance policies in 2011.

LIQUIDITY AND CAPITAL RESOURCES

Cost Savings Initiatives

Caesars Entertainment has undertaken comprehensive cost-reduction efforts to right-size expenses with business levels. During the fourth quarter of 2010, the Company launched a new initiative to reinvent certain aspects of its functional and operating units in an effort to gain significant further cost reductions and streamline our operations. During the third quarter and nine months 2011, the Company realized cost savings of \$85.0 million and \$237.4 million, respectively and has estimated cost savings yet to be realized of \$202.5 million as of that date.

Capital Spending and Development

In addition to the current development and expansion projects discussed in the "Regional Operating Results" section, we incur capital expenditures in the normal course of business and we perform on-going 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 nine-months 2011 totaled \$196.8 million, which includes an increase of \$31.9 million of construction payables. Estimated total capital expenditures for 2011, including 2011 expenditures associated with Project Linq and Project Octavius, are expected to be between \$280.0 million and \$350.0 million.

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, joint venture partners, specific project financing and additional debt offerings.

Liquidity

Our cash and cash equivalents totaled \$1,150.7 million at September 30, 2011 compared to \$987.0 million at December 31, 2010. Restricted cash totaled \$544.0 million at September 30, 2011 compared to \$64.9 million at December 31, 2010. 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 September 30, 2011, we had \$19,620.6 million book value of indebtedness outstanding and cash paid for interest for the nine months ended September 30, 2011 was \$1,071.0 million.

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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 September 30, 2011, our additional borrowing capacity under the credit facility was \$1,080.2 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 twelve months and to fund capital expenditures. We may consider issuing additional debt, or equity, in the future to refinance existing debt or to finance specific capital projects.

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 the financing of the Company is comprised of credit facility and notes financing obtained by CEOC. The CEOC financings are neither secured nor guaranteed by Caesars Entertainment's other wholly-owned subsidiaries, including certain subsidiaries that own properties that secure \$5,031.5 million face value of commercial mortgage-backed securities ("CMBS"). Information pertaining solely to the consolidated financial position and results of CEOC and its subsidiaries can be found in Exhibit 99.1 of this 10-Q.

Please refer to Note 5, "Debt" in Item 1 of this 10-Q ("Note 5") for details on our debt outstanding. This detail includes, among other things, a table presenting details on our individual borrowings outstanding as of September 30, 2011 and December 31, 2010, changes in our debt outstanding and certain changes in the terms of existing debt for the nine months ended September 30, 2011. Note 5 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 5, 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, joint venture partners or, if necessary, additional debt offerings.

As described in detail in Note 5, 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 Credit Facilities and indentures, including the Senior Secured Leverage Ratio, as of September 30, 2011. If our LTM Adjusted EBITDA – Pro Forma were to decline significantly from the level achieved at September 30, 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 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 management agreement between us and the Eastern Band of Cherokee Indians has been amended as further described in Note 11, "Commitments and Contingent Liabilities".

Other than the item mentioned above, as of September 30, 2011, there had been no material changes outside the ordinary course of business to our aggregated indebtedness and other known contractual obligations, which are set forth in the table included in our 2010 10-K.

**CAUTIONARY STATEMENT PURSUANT TO THE PRIVATE
SECURITIES LITIGATION REFORM ACT OF 1995**

This quarterly report on Form 10-Q contains “forward-looking statements” intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. You can identify these statements by the fact that they do not relate strictly to historical or current facts. 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 or other words or expressions of similar meaning may identify forward-looking statements. These forward-looking statements are found at various places throughout this 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 from time to time in our filings with the Securities and Exchange Commission.

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 the Company’s significant indebtedness;
- the impact, if any, of unfunded pension benefits under the 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;
- the ability to timely and cost-effectively integrate companies that we acquire into our operations;
- the 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 sales or hotel sales;
- our ability to recoup costs of capital investments through higher revenues;
- acts of war or terrorist incidents, severe weather conditions, political uprisings or natural disasters;
- access to insurance on reasonable terms for our assets;
- abnormal gaming holds;
- 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; and
- the effects of competition, including locations of competitors and operating and market competition.

You are cautioned to not place undue reliance on these forward-looking statements, which speak only as of the date of this quarterly report for Form 10-Q. 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 quarterly report on Form 10-Q or to reflect the occurrence of unanticipated events, except as required by law.

Item 3. 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 \$19,620.6 million of total debt at September 30, 2011, \$8,149.2 million is subject to variable interest rates. To manage our interest rate risk, we have entered into interest rate swap agreements with respect to LIBOR borrowings for a notional amount of \$5,750.0 million of this variable rate debt, all of which fix the floating rates of interest to fixed rates. In addition to the swap agreements, we entered into an interest rate cap agreement for a notional amount of \$6,500.0 million at a LIBOR cap rate of 4.5 percent and an interest rate cap agreement for a notional amount of \$554.3 million at a LIBOR cap rate of 5.0 percent. 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 \$71.7 million. At September 30, 2011, the weighted average USD LIBOR rate was 0.262 percent. A hypothetical reduction of this rate to 0 percent would decrease interest expense for the next twelve months by approximately \$18.8 million.

We use interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. We do not purchase or hold any derivative financial instruments for trading purposes.

Foreign currency translation gains and losses were not material to our results of operations for the quarter and nine months ended September 30, 2011. Our only material ownership interests in businesses in foreign countries are London Clubs, Macau Orient Golf and an approximate 95.0 percent 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 4. 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 Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as of September 30, 2011. Based on such evaluation, they have concluded that as of such date, our disclosure controls and procedures are effective and designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms, and that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

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.

Item 4T. Controls and Procedures

Not applicable.

PART II—OTHER INFORMATION

Item 1. 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 1A. Risk Factors.

There were no material changes from the risk factors set forth under Part I, Item 1A “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2010.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. (Removed and Reserved).

Item 5. Other Information.

None.

Item 6. Exhibits.

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Exhibit Number	Exhibit Description
3.1	Amended and Restated Certificate of Incorporation of Caesars Entertainment Corporation dated November 22, 2010 (Incorporated by reference to the exhibit 3.1 to the Company's Current Report on Form 8-K filed November 24, 2010)
3.2	Bylaws of Caesars Entertainment Corporation, as amended on November 22, 2010 (Incorporated by reference to the exhibit 3.2 to the Company's Current Report on Form 8-K filed November 24, 2010)
3.3	Restated Certificate of Incorporation of Harrah's Operating Company, Inc. (f/k/a Embassy Suites, Inc.), as amended. (Incorporated by reference to the exhibit to the Company's Registration Statement on Form S-4 filed October 29, 2008.)
3.4	Certificate of Amendment of Restated Certificate of Incorporation of Harrah's Operating Company, Inc. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2008.)
3.5	Certificate of Amendment of Certificate of Incorporation of Caesars Entertainment Operating Company, Inc. dated November 22, 2010 (Incorporated by reference to the exhibit 3.3 to the Company's Current Report on Form 8-K filed November 24, 2010)
3.6	Bylaws of Harrah's Operating Company, Inc., as amended. (Incorporated by reference to the exhibit to the Company's Registration Statement on Form S-4 filed October 29, 2008.)
4.1	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. (Incorporated by reference to the exhibit to the Registration Statement on Form S-4 of Park Place Entertainment Corporation, File No. 333-104829, filed April 29, 2003.)
4.2	First Supplemental Indenture, dated as of June 13, 2005, to Indenture, dated as of April 11, 2003, between Harrah's Entertainment, Inc., 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. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.)
4.3	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. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed August 2, 2005.)
4.4	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. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.)
4.5	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. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed August 2, 2005.)
4.6	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. (Incorporated by reference to the exhibit to the Registration Statement on Form S-3/A of Harrah's Entertainment, Inc., File No. 333-127210, filed September 19, 2005.)
4.7	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. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007)

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Exhibit Number	Exhibit Description
4.8	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. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed January 28, 2008)
4.9	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. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed June 3, 2005.)
4.10	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. (Incorporated by reference to the exhibit to the Registration Statement on Form S-4 of Harrah's Entertainment, Inc., File No. 333-127840, filed August 25, 2005.)
4.11	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. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed October 3, 2005.)
4.12	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed October 3, 2005.)
4.13	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed June 14, 2006.)
4.14	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed June 14, 2006.)
4.15	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed February 4, 2008.)
4.16	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. (Incorporated by reference to the exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)
4.17	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. (Incorporated by reference to the exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.)
4.18	Third 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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed June 30, 2009.)
4.19	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. (Incorporated by reference to the exhibit filed with Company's Registration Statement on Form S-4/A, filed December 24, 2008.)
4.20	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. (Incorporated by reference to the exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.)

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Exhibit Number	Exhibit Description
4.21	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. (Incorporated by reference to the exhibit filed with the Company's Registration Statement on Form S-4/A, filed December 24, 2008.)
4.22	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed April 20, 2009.)
4.23	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. (Incorporated by reference to the exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.)
4.24	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed December 30, 2008.)
4.25	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed April 20, 2009.)
4.26	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed June 15, 2009.)
4.27	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed June 15, 2009.)
4.28	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. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K filed September 17, 2009.)
4.29	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed June 15, 2009.)
4.30	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed September 17, 2009.)
4.31	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed April 22, 2010.)
4.32	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed April 22, 2010.)
4.33	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. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K/A filed February 7, 2008.)

- 4.34 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. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K/A filed February 7, 2008.)
- 4.35 Supplemental Indenture, dated as of May 20, 2010, by and among Harrah's Operating Company, Inc. and U.S. Bank National Association, as trustee, relating to the 12.75% Second-Priority Senior Secured Notes due 2018. (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed May 24, 2010.)
- 4.36 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 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed May 24, 2010.)
- 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. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K/A filed February 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. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K/A filed June 11, 2009.)
- 10.3 Incremental Facility Amendment, dated as of September 26, 2009 to the Credit Agreement dated as of January 28, 2008. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K filed September 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. (Incorporated by reference to the exhibit to the Registrant's Current Report on Form 8-K/A filed June 11, 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. (Incorporated by reference to the exhibit to the Registrant's Current Report on Form 8-K/A filed June 11, 2009.)
- 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. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2008.)
- 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. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2008.)
- 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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed April 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. (Incorporated by reference to the exhibit to the Registrant's Current Report on Form 8-K/A filed June 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. (Exhibit A thereto incorporated by reference to exhibit 10.4 to the Registrant's Annual Report on Form 10-K filed March 17, 2009.) (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed June 15, 2009.)
- 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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed September 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). (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed September 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). (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed September 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. (Incorporated by reference to the exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K filed February 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. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2008.)
- †10.17 Rollover Option Agreement, dated as of January 28, 2008, by and between Harrah's Entertainment, Inc. and Gary W. Loveman. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K/A filed February 7, 2008.)
- †10.18 Form of Employment Agreement between Harrah's Operating Company, Inc. and Jonathan S. Halkyard, Thomas M. Jenkin and John W. R. Payne. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K filed April 11, 2008.)
- 10.19 Summary Plan Description of Executive Term Life Insurance Plan. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
- †10.20 Harrah's Entertainment, Inc. 2009 Senior Executive Incentive Plan, effective January 1, 2009. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K filed December 15, 2008.)
- 10.21 Trust Agreement dated June 20, 2001 by and between Harrah's Entertainment, Inc. and Wells Fargo Bank Minnesota, N.A. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.)
- 10.22 Escrow Agreement, dated February 6, 1990, by and between The Promus Companies Incorporated, certain subsidiaries thereof, and Sovran Bank, as escrow agent (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1989.)
- 10.23 Amendment to Escrow Agreement dated as of October 29, 1993 among The Promus Companies Incorporated, certain subsidiaries thereof, and NationsBank, formerly Sovran Bank. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)

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Exhibit Number	Exhibit Description
10.24	Amendment, dated as of June 7, 1995, to Escrow Agreement among The Promus Companies Incorporated, certain subsidiaries thereof and NationsBank. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K filed June 15, 1995.)
10.25	Amendment, dated as of July 18, 1996, to Escrow Agreement between Harrah's Entertainment, Inc. and NationsBank. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996.)
10.26	Amendment, dated as of October 30, 1997, to Escrow Agreement between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc. and NationsBank. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, filed March 10, 1998, File No. 1-10410.)
10.27	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. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.)
10.28	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. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.)
†10.29	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. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007)
†10.30	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. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007)
†10.31	Amendment and Restatement of Harrah's Entertainment, Inc. Executive Deferred Compensation Plan, effective August 3, 2007. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.)
†10.32	Amendment and Restatement of Harrah's Entertainment, Inc. Deferred Compensation Plan, effective as of August 3, 2007. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.)
†10.33	Amendment and Restatement of Park Place Entertainment Corporation Executive Deferred Compensation Plan, effective as of August 3, 2007. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.)
†10.34	Amendment and Restatement of Harrah's Entertainment, Inc. Executive Supplemental Savings Plan, effective as of August 3, 2007. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.)
†10.35	Amendment and Restatement of Harrah's Entertainment, Inc. Executive Supplemental Savings Plan II, effective as of August 3, 2007. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.)
†10.36	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. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K filed February 13, 2009.)
†10.37	Stock Option Grant Agreement dated February 27, 2008 between Gary W. Loveman and Harrah's Entertainment, Inc. (Incorporated by reference to the exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)
†10.38	Stock Option Grant Agreement dated February 27, 2008 between Jonathan S. Halkyard and Harrah's Entertainment, Inc. (Incorporated by reference to the exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)
†10.39	Stock Option Grant Agreement dated February 27, 2008 between Thomas M. Jenkin and Harrah's Entertainment, Inc. (Incorporated by reference to the exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)

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Exhibit Number	Exhibit Description
†10.40	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. (Incorporated by reference to the exhibit filed with the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)
†10.41	Form of Stock Option Grant Agreement dated March 1, 2010 between Harrah’s Entertainment, Inc. and each of Gary W. Loveman, Jonathan S. Halkyard, Thomas M. Jenkin, John W. R. Payne, and Peter E. Murphy. (Incorporated by reference to the exhibit to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2009.)
10.42	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. (Incorporated by reference to the exhibit filed with the Company’s Current Report on Form 8-K, filed May 24, 2010.)
10.43	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. (Incorporated by reference to the exhibit filed with the Company’s Current Report on Form 8-K, filed May 24, 2010.)
10.44	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. (Incorporated by reference to the exhibit filed with the Company’s Current Report on Form 8-K, filed June 7, 2010.)
10.45	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. (Incorporated by reference to the exhibit filed with the Company’s Current Report on Form 8-K, filed June 7, 2010.)
10.46	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. (Incorporated by reference to the exhibit filed with the Company’s Current Report on Form 8-K filed on September 3, 2010.)
10.47	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. (Incorporated by reference to the exhibit filed with the Company’s Current Report on Form 8-K filed on September 3, 2010.)
10.48	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. (Incorporated by reference to the exhibit filed with the Company’s Current Report on Form 8-K filed on September 3, 2010.)
10.49	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. (Incorporated by reference to the exhibit filed with the Company’s Current Report on Form 8-K filed on September 3, 2010.)
10.50	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. (Incorporated by reference to the exhibit filed with the Company’s Current Report on Form 8-K filed on September 3, 2010.)

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Exhibit Number	Exhibit Description
10.51	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K filed on September 3, 2010.)
10.52	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K filed on September 3, 2010.)
10.53	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K filed on September 3, 2010.)
10.54	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K filed on September 3, 2010.)
10.55	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K filed on September 3, 2010.)
10.56	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K filed on September 3, 2010.)
10.57	Form of Management Agreement entered into between each Mortgage Loan Borrower and its respective Operating Company. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K filed on September 3, 2010.)
10.58	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K filed on September 3, 2010.)
10.59	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K filed on September 3, 2010.)
10.60	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K filed on September 3, 2010.)

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Exhibit Number	Exhibit Description
10.61	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K filed on September 3, 2010.)
10.62	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K filed on September 3, 2010.)
10.63	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K filed on September 3, 2010.)
10.64	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.)
10.65	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K filed on September 3, 2010.)
10.66	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K filed on September 3, 2010.)
10.67	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K filed on September 3, 2010.)
10.68	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. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K filed on September 3, 2010.)
†10.69	Form of Indemnification Agreement entered into by Caesars Entertainment Corporation and each of its directors and executive officers. (Incorporated by reference to the exhibit to the Company's Registration Statement filed November 16, 2010).
10.70	Irrevocable Proxy of Hamlet Holdings LLC, dated November 22, 2010 (Incorporated by reference to the exhibit 10.1 to the Company's Current Report on Form 8-K filed November 24, 2010)
10.71	Amended and Restated Management Investors Rights Agreement, dated November 22, 2010 (Incorporated by reference to the exhibit 10.2 to the Company's Current Report on Form 8-K filed November 24, 2010)
10.72	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 (Incorporated by reference to the exhibit 10.3 to the Company's Current Report on Form 8-K filed November 24, 2010)
10.73	Financial Counseling Plan of Harrah's Entertainment, Inc., as amended June 1996. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)

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Exhibit Number	Exhibit Description
10.74	Credit Agreement dated as of April 25, 2011 among Caesars Entertainment Corporation, Caesars Octavius, LLC, Caesars Linq, LLC, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent for the lenders. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K filed April 27, 2011).
10.75	Completion Guarantee dated as of April 25, 2011 by Caesars Entertainment Corporation in favor of JPMorgan Chase Bank, N.A., as administrative agent and collateral agent for the lenders. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K filed April 27, 2011).
10.76	Disbursement Agreement dated as of April 25, 2011 between Caesars Linq, LLC, Caesars Octavius, LLC, JPMorgan Chase Bank, N.A. as disbursement agent and agent and Fulcrum LLC as construction consultant. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K filed April 27, 2011).
10.77	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. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K/A filed May 23, 2011).
†10.78	Caesars Entertainment Corporation Management Equity Incentive Plan, as amended and restated on July 8, 2011. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K filed July 12, 2011).
14	Harrah's Entertainment, Inc. Code of Business Conduct and Ethics for Principal Officers, adopted February 26, 2003. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed March 10, 2003.)
*31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 10, 2011.
*31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 10, 2011.
*32.1	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated November 10, 2011.
*32.2	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated November 10, 2011.
*99.1	Supplemental Discussion of Pro Forma Caesars Entertainment Operating Company, Inc. Financial Results
*99.2	Supplemental Discussion of Caesars Commercial Mortgage-Backed Securities Related Properties Financial Results
**101	The following financial statements from the Company's 10-Q for the quarter ended September 30, 2011, formatted in XBRL: (i) Consolidated Condensed Balance Sheets, (ii) Consolidated Condensed Statements of Operations, (iii) Consolidated Condensed Statements of Cash Flows (iv) Consolidated Condensed Statement of Stockholders' Equity and Comprehensive Loss (v) Notes to Consolidated Condensed Financial Statements.
†	Management contract or compensatory plan or arrangement required to be filed as an exhibit to the Form pursuant to Item 6 of Form 10-Q.
*	Filed herewith.
**	Furnished herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CAESARS ENTERTAINMENT CORPORATION

November 10, 2011

By: /s/ DIANE E. WILFONG
Diane E. Wilfong
Vice President, Controller and Chief Accounting Officer

I, Gary W. Loveman, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: November 10, 2011

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 quarterly report on Form 10-Q 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: November 10, 2011

By: /s/ JONATHAN S. HALKYARD
Jonathan S. Halkyard
Senior 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 Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 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: November 10, 2011

/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 Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 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: November 10, 2011

/s/ JONATHAN S. HALKYARD

Jonathan S. Halkyard
Senior 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

In January, 2008, Caesars Entertainment Corporation (“Caesars Entertainment”, or “CEC”) was acquired by affiliates of Apollo Global Management, LLC (“Apollo”) and TPG Capital, LP (“TPG”) in an all cash transaction, hereinafter referred to as 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 in our filings of this Exhibit 99.1 since that time. At September 30, 2011, the trademark values have been properly presented in the CEOC Unaudited Consolidated Condensed Balance Sheet as of September 30, 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.

OPERATING RESULTS FOR CEOC

Overall CEOC Results

The following tables represent CEOC’s Unaudited Consolidated Condensed Balance Sheets as of September 30, 2011 and December 31, 2010 and its Unaudited Consolidated Condensed Statements of Operations for the quarters and nine months ended September 30, 2011 and 2010. Also included are the Unaudited Consolidated Condensed Statements of Cash Flows for the nine months ended September 30, 2011 and 2010.

Caesars Entertainment Operating Company, Inc.
Consolidated Condensed Balance Sheets
(Unaudited)

<u>(In millions)</u>	<u>September 30, 2011</u>	<u>December 31, 2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 778.2	\$ 619.1
Receivables, net of allowance for doubtful accounts	387.5	344.5
Deferred income taxes	147.7	159.1
Prepayments and other current assets	151.4	129.0
Inventories	38.0	38.7
Assets held for sale	2.4	—
Total current assets	1,505.2	1,290.4
Land, buildings, riverboats and equipment, net of accumulated depreciation	12,330.6	12,426.0
Goodwill	1,733.0	1,731.5
Intangible assets other than goodwill	4,030.9	4,153.7
Investments in and advances to non-consolidated affiliates	95.3	85.3
Restricted cash	409.0	—
Deferred charges and other	537.7	605.3
	<u>\$ 20,641.7</u>	<u>\$ 20,292.2</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts payable	\$ 239.9	\$ 218.9
Interest payable	404.5	205.3
Accrued expenses	745.6	765.7
Current portion of long-term debt	45.1	55.6
Total current liabilities	1,435.1	1,245.5
Long-term debt	15,395.0	14,405.2
Notes payable to affiliate	289.7	500.0
Deferred credits and other	876.7	893.5
Deferred income taxes	3,574.4	3,828.1
	<u>21,570.9</u>	<u>20,872.3</u>
Total CEOC Stockholder's deficit	(971.9)	(618.7)
Non-controlling interests	42.7	38.6
Total Stockholder's deficit	(929.2)	(580.1)
	<u>\$ 20,641.7</u>	<u>\$ 20,292.2</u>

Caesars Entertainment Operating Company, Inc.
Consolidated Condensed Statements of Operations
(Unaudited)

(In millions)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues				
Casino	\$1,378.1	\$1,461.2	\$ 4,104.4	\$ 4,282.7
Food and beverage	273.4	264.8	785.4	775.2
Rooms	197.4	186.7	572.8	532.6
Management fees	9.7	9.1	27.7	31.2
Other	113.2	122.2	353.5	337.4
Less: casino promotional allowances	(238.3)	(257.7)	(684.5)	(758.2)
Net revenues	<u>1,733.5</u>	<u>1,786.3</u>	<u>5,159.3</u>	<u>5,200.9</u>
Operating expenses				
Direct				
Casino	792.7	842.1	2,350.8	2,484.7
Food and beverage	110.0	101.5	316.8	289.3
Rooms	44.5	40.2	129.9	116.6
Property, general, administrative and other	397.8	396.7	1,149.3	1,152.5
Depreciation	139.8	140.7	414.0	426.0
Project opening costs	—	1.7	4.2	4.0
Write-downs, reserves and recoveries	42.3	24.1	81.4	116.7
Impairment of intangible assets, including goodwill	—	44.0	—	144.0
Loss on interests in non-consolidated affiliates	1.4	1.8	2.9	3.5
Corporate expense	27.3	24.0	91.0	80.0
Acquisition and integration costs	1.1	0.7	2.9	8.3
Amortization of intangible assets	24.3	24.4	72.9	77.0
Total operating expenses	<u>1,581.2</u>	<u>1,641.9</u>	<u>4,616.1</u>	<u>4,902.6</u>
Income from operations	152.3	144.4	543.2	298.3
Interest expense, net of interest capitalized	(427.0)	(456.8)	(1,381.7)	(1,314.4)
Losses on early extinguishments of debt	—	—	—	(4.5)
Other income, including interest income	7.6	10.1	15.9	27.9
Loss before income taxes	(267.1)	(302.3)	(822.6)	(992.7)
Benefit for income taxes	78.1	115.2	286.1	365.9
Net loss	(189.0)	(187.1)	(536.5)	(626.8)
Less: net loss/(income) attributable to non-controlling interests	9.2	(1.6)	4.0	(5.2)
Net loss attributable to CEOC	<u>\$ (179.8)</u>	<u>\$ (188.7)</u>	<u>\$ (532.5)</u>	<u>\$ (632.0)</u>

Caesars Entertainment Operating Company, Inc.
Consolidated Condensed Statements of Cash Flows
(Unaudited)

(In millions)	Nine Months Ended September 30,	
	2011	2010
Cash flows provided by operating activities	\$ 30.3	\$ 121.4
Cash flows (used in)/provided by investing activities		
Land, buildings, riverboats and equipment additions, net of change in construction payables	(140.4)	(104.2)
Change in restricted cash	(451.9)	—
Payments to acquire a business, net of transaction costs	—	(44.6)
Payment made for partnership interest	—	(19.5)
Payments to acquire certain gaming rights	(22.7)	(16.5)
Cash acquired in business acquisition, net	—	14.4
Investments in/advances to non-consolidated affiliates and other	(76.0)	(5.0)
Proceeds from other asset sales	1.4	14.3
Other	(5.2)	(10.6)
Cash flows used in investing activities	(694.8)	(171.7)
Cash flows provided by/(used in) financing activities		
Proceeds from the issuance of long-term debt	863.8	740.8
Debt issuance costs	(17.5)	(17.8)
Borrowings under lending agreements	135.0	1,175.0
Repayments under lending agreements	(135.0)	(1,605.0)
Cash paid in connection with early extinguishments of debt	(18.7)	(219.9)
Scheduled debt retirements	(34.4)	(214.7)
Non-controlling interests' distributions, net of contributions	4.5	(5.8)
Other	(5.1)	(6.9)
Intercompany note borrowings, net of repayments	31.0	456.0
Cash flows provided by financing activities	823.6	301.7
Effect of deconsolidation of variable interest entities	—	4.4
Net increase in cash and cash equivalents	159.1	255.8
Cash and cash equivalents, beginning of period	619.1	568.8
Cash and cash equivalents, end of period	\$ 778.2	\$ 824.6

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, therefore, believe 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. In order to provide more meaningful information than would be possible on either a consolidated basis or an individual property basis, our casino properties as of September 30, 2011, have been grouped into regions as follows to facilitate discussion of our operating results:

Las Vegas

Caesars Palace
Bally's Las Vegas
Imperial Palace
Bill's Gamblin' Hall & Saloon
Planet Hollywood Resort & Casino ⁽¹⁾

Atlantic City

Showboat Atlantic City
Bally's Atlantic City
Caesars Atlantic City
Harrah's Chester ⁽²⁾

Louisiana/Mississippi

Harrah's New Orleans
Harrah's Louisiana Downs
Horseshoe Bossier City
Grand Biloxi
Harrah's Tunica
Horseshoe Tunica
Tunica Roadhouse Hotel & Casino

Iowa/Missouri

Harrah's St. Louis
Harrah's North Kansas City
Harrah's Council Bluffs
Horseshoe Council Bluffs/ Bluffs Run

Illinois/Indiana

Horseshoe Southern Indiana
Harrah's Joliet ⁽³⁾
Harrah's Metropolis
Horseshoe Hammond

Other Nevada

Harrah's Reno
Harrah's Lake Tahoe
Harvey's Lake Tahoe

Managed and International

Harrah's Ak-Chin ⁽⁴⁾
Harrah's Cherokee ⁽⁴⁾
Harrah's Rincon ⁽⁴⁾
Conrad Punta del Este ⁽²⁾
Casino Windsor ⁽⁵⁾
London Clubs International ⁽⁶⁾

⁽¹⁾ Acquired in February, 2010.

⁽²⁾ We have an approximately 95 percent ownership interest in and manage this property.

⁽³⁾ We have an 80 percent ownership interest in and manage this property

⁽⁴⁾ Managed.

⁽⁵⁾ We have a 50 percent interest in Windsor Casino Limited, which operates this property. The province of Ontario owns the complex.

⁽⁶⁾ We own, operate or manage ten casino clubs in the provinces of the United Kingdom and two in Egypt. We have a 70 percent ownership interest in and manage one casino club in South Africa.

CONSOLIDATED OPERATING RESULTS

(\$ in millions)	Quarter Ended September 30,		Percent Increase/ (Decrease)	Nine Months Ended September 30,		Percent Increase/ (Decrease)
	2011	2010		2011	2010	
Casino revenues	\$1,378.1	\$1,461.2	(5.7)%	\$4,104.4	\$4,282.7	(4.2)%
Net revenues	1,733.5	1,786.3	(3.0)%	5,159.3	5,200.9	(0.8)%
Income from operations	152.3	144.4	5.5%	543.2	298.3	82.1%
Impairment of intangible assets, including goodwill	—	44.0	N/M	—	144.0	N/M
Income from operations before impairment charges	152.3	188.4	(19.2)%	543.2	442.3	22.8%
Net loss attributable to CEOC	(179.8)	(188.7)	(4.7)%	(532.5)	(632.0)	(15.7)%
Operating margin	8.8%	8.1%	0.7 pts	10.5%	5.7%	4.8 pts
Operating margin before impairment	8.8%	10.5%	(1.7) pts	10.5%	8.5%	2.0 pts

The Company measures its performance in part through tracking of trips by rated players (“trips”) and spend per rated-player trip (“spend per trip”). Trips in 2011 decreased 6.2 percent for the third quarter and 8.6 percent for the nine months from the year-ago periods, while spend per trip increased 3.8 percent for the third quarter and 5.0 percent for the nine months. The third-quarter trip declines were the result of the temporary closures in the Atlantic City region due to Hurricane Irene and reduced access to one of our properties in the Illinois/Indiana region, as well as the impact of marketing programs on trip frequency of certain customer segments in all regions. The trip declines in the nine-month period of 2011 also included temporary closures of seven of our properties in the Illinois/Indiana and Louisiana/Mississippi regions during the first half of 2011 due to flooding and severe weather conditions. Cash average daily room rates for 2011 increased 7.4 percent in the third quarter and 5.8 percent for the nine months, and total occupancy percentages increased 3.3 percentage points for both the third-quarter and nine-month periods when compared to 2010.

Third-Quarter Results

CEOC’s 2011 third-quarter net revenues decreased 3.0 percent to \$1,733.5 million from \$1,786.3 million in 2010. The decrease primarily reflects declines in our U.S. operations outside of Nevada due to a number of factors. Hurricane Irene, which made landfall in New Jersey in August 2011, caused temporary closures of three of our properties in the Atlantic City region during one of the final weekends of the peak summer season. The Company estimates that the closures reduced revenues by approximately \$15 million to \$18 million and reduced income from operations by approximately \$10 million to \$14 million. New competition in July 2011 caused unfavorable comparisons in the Illinois/Indiana region. These declines were partially offset by positive fundamentals in the Las Vegas region as well as positive fundamentals at the Uruguay and London Clubs properties.

Income from operations for the 2011 third quarter increased to \$152.3 million from \$144.4 million in 2010. Income from operations in 2010 included impairment charges related to goodwill and other non-amortizing intangible assets of \$44.0 million. Prior to consideration of the 2010 impairment charges, income from operations decreased in the third-quarter 2011 to \$152.3 million, from \$188.4 million for 2010. The decrease was due in part to the hurricane in Atlantic City, as well as the income impact of other revenue declines in the Midwest, offset in part by decreased property operating expenses.

Net loss attributable to CEOC for the third-quarter 2011 was \$179.8 million, compared with \$188.7 million for the year-ago quarter.

Nine-Month Results

CEOC’s nine-month net revenues for 2011 were down compared with 2010. The decline was due to the third-quarter 2011 regional revenue declines mentioned above, including the effects of Hurricane Irene, as well as the temporary closures of seven properties in the Illinois/Indiana and Louisiana/Mississippi regions due to flooding and severe weather conditions in the first half of 2011. These declines were partially mitigated by steadily improving fundamentals in the Las Vegas region and the full nine-month impact of Planet Hollywood Las Vegas, which was acquired in February 2010.

Income from operations for the nine-months 2011 increased to \$543.2 million from \$298.3 million in 2010. Included in income from operations for 2010 were impairment charges related to goodwill and other non-amortizing intangible assets of \$144.0 million. Prior to consideration of the 2010 impairment charges, income from operations for 2011 increased to \$543.2

million from \$442.3 million in 2010. The increase was attributable to reduced property operating expenses resulting from the company's cost-reduction efforts, reduced and more focused marketing expenditures, reduced depreciation expense, and the effect of the second quarter 2010 charges of \$52.2 million to fully reserve a note-receivable balance related to a venture for development of a casino project in Philadelphia, and \$25.0 million relating to a previously disclosed contingency, with no comparable amounts in 2011.

Net loss attributable to CEOC for the nine-months 2011 was \$532.5 million, compared with a net loss of \$632.0 million for 2010.

REGIONAL OPERATING RESULTS

Las Vegas property trips for 2011 rose 4.9 percent for the third quarter and 8.4 percent for the nine months from the year-ago periods, and the amount spent per trip in 2011 increased 3.8 percent for the third quarter and 8.2 percent for the nine months. Hotel revenues increased in 2011 by 10.4 percent for the third quarter and 17.0 percent for the nine months. Cash average daily room rates increased in 2011 by 8.8 percent and 8.3 percent, and total occupancy percentages rose 3.5 and 5.0 percentage points for the third-quarter and nine-month periods, respectively.

Atlantic City property trips decreased in 2011 by 3.5 percent for lodgers and 7.5 percent for non-lodgers for the third quarter, and 1.8 percent for lodgers and 6.5 percent for non-lodgers for the nine months. Spend per trip in 2011 decreased 2.3 percent for lodgers and 1.9 percent for non-lodgers for the third quarter, and 2.8 percent for lodgers and 2.4 percent for non-lodgers for the nine months. Trip declines in the third quarter were directly impacted by the temporary property closures as a result of Hurricane Irene.

On a combined basis, for the remainder of the Company's U.S. markets, trips decreased in 2011 by 7.1 percent for the third quarter and 12.1 percent for the nine months. However the amount spent per trip in 2011 increased 4.7 percent for the third quarter and 5.1 percent for the nine months. Trip declines in both periods can be attributed to more focused marketing targeted to certain customer segments. The declines for the nine-month period were further impacted by the temporary property closures in the first half of 2011 due to flooding and severe weather conditions.

Further discussion of CEOC's quarter and nine months ended September 30, 2011 results by region follow:

Las Vegas Region

(\$ in millions)	Quarter Ended September 30,		Percent Increase/ (Decrease)	Nine Months Ended September 30,		Percent Increase/ (Decrease)
	2011	2010		2011	2010	
Casino revenues	\$ 188.7	\$ 200.9	(6.1)%	\$ 616.9	\$ 565.1	9.2%
Net revenues	378.1	365.9	3.3%	1,187.3	1,053.9	12.7%
Income from operations	39.9	31.1	28.3%	182.1	104.3	74.6%
Operating margin	10.6%	8.5%	2.1 pts	15.3%	9.9%	5.4 pts

Net revenues increased 3.3 percent and 12.7 percent in the 2011 third quarter and nine months, respectively, as a result of increases in both property trips and the amount spent per trip. Net revenues were also increased by higher total occupancy percentages and cash average daily room rates for both the 2011 third-quarter and nine-month periods. These trends demonstrate a continued strengthening in the fundamentals for this region. Net revenues for the nine months 2011 also include the full nine-month impact of Planet Hollywood Las Vegas, which we acquired in February 2010. Income from operations for the 2011 third quarter and nine months increased significantly from the 2010 periods due to the income impact of increased net revenues. Included in income from operations are decreases in property remediation costs of \$2.0 million and \$15.0 million for the 2011 third-quarter and nine-month periods, respectively, as well as decreases of \$9.8 million for assets written off in the 2010 third quarter for which there was no comparable amount in 2011. Remediation costs and asset write offs are included in Write-downs, reserves and recoveries of the Consolidated Condensed Statement of Operations.

On April 25, 2011, the financing was completed for the Octavius Tower at Caesars Palace Las Vegas ("Project Octavius") and the development of 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 Company has resumed work towards the completion of the Octavius Tower's 662 rooms, including 75 luxury suites and construction on Project Linq has commenced.

Atlantic City Region

(\$ in millions)	Quarter Ended September 30,		Percent Increase/ (Decrease)	Nine Months Ended September 30,		Percent Increase/ (Decrease)
	2011	2010		2011	2010	
Casino revenues	\$320.9	\$358.2	(10.4)%	\$ 935.7	\$1,010.9	(7.4)%
Net revenues	368.9	399.2	(7.6)%	1,060.4	1,105.3	(4.1)%
Income from operations	27.5	26.2	5.0%	60.4	51.6	17.1%
Operating margin	7.5%	6.6%	0.9 pts	5.7%	4.7%	1.0 pts

Hurricane Irene, which made landfall in New Jersey in August 2011, caused temporary closures of three of our properties in the Atlantic City region during one of the final weekends of the peak summer season. The Company estimates that the closures reduced net revenues by approximately \$15 million to \$18 million and reduced income from operations by approximately \$10 million to \$14 million. In addition, net revenues in the region continued to be affected by competition from new casinos and the mid-2010 introduction of table games in the Pennsylvania market. Income from operations for the 2011 periods increased primarily due to a decrease in asset write offs of \$11.4 million due to assets written off in the 2010 third quarter for which there was no comparable amount in 2011. Asset write offs are included in Write-downs, reserves and recoveries of the Consolidated Condensed Statement of Operations.

Louisiana/Mississippi Region

(\$ in millions)	Quarter Ended September 30,		Percent Increase/ (Decrease)	Nine Months Ended September 30,		Percent Increase/ (Decrease)
	2011	2010		2011	2010	
Casino revenues	\$267.8	\$278.5	(3.8)%	\$775.4	\$833.0	(6.9)%
Net revenues	291.7	303.1	(3.8)%	845.5	908.8	(7.0)%
Income from operations	35.4	36.6	(3.3)%	106.0	38.2	N/M
Impairment of intangible assets, including goodwill	—	—	N/M	—	51.0	N/M
Income from operations before impairment charges	35.4	36.6	(3.3)%	106.0	89.2	18.8%
Operating margin	12.1%	12.1%	—	12.5%	4.2%	8.3 pts
Operating margin before impairment charges	12.1%	12.1%	—	12.5%	9.8%	2.7 pts

Net revenues in the region decreased for the 2011 third quarter and nine months due to decreased trips. However, spend per trip increased. Net revenues for the 2011 nine months were further reduced by the temporary closures of three properties in the region in the first-half 2011 due to flooding and severe weather conditions. Included in the 2010 nine months income from operations was an impairment charge of \$51.0 million related to goodwill and other non-amortizing intangible assets at one of the region's properties. Income from operations decreased for the third quarter; however, prior to the consideration of the 2010 impairment charge, improved for the nine months as costs incurred during the first-half 2011 closures, as well as those connected with restoring the affected properties to operating condition, of approximately \$21 million have not been expensed, but instead have been recorded as a receivable from third-party insurance providers. The 2010 nine-month results include a one-time rent adjustment paid to the City of New Orleans in the amount of \$6.4 million.

Iowa/Missouri Region

(\$ in millions)	Quarter Ended September 30,		Percent Increase/ (Decrease)	Nine Months Ended September 30,		Percent Increase/ (Decrease)
	2011	2010		2011	2010	
Casino revenues	\$172.1	\$174.4	(1.3)%	\$511.6	\$524.3	(2.4)%
Net revenues	184.2	186.6	(1.3)%	546.7	560.3	(2.4)%
Income from operations	45.9	36.5	25.8%	137.6	128.6	7.0%
Impairment of intangible assets, including goodwill	—	9.0	N/M	—	9.0	N/M
Income from operations before impairment charges	45.9	45.5	0.9%	137.6	137.6	— %
Operating margin	24.9%	19.6%	5.3 pts	25.2%	23.0%	2.2 pts
Operating margin before impairment charges	24.9%	24.4%	0.5 pts	25.2%	24.6%	0.6 pts

Net revenues in the region decreased for the 2011 third quarter and nine months due to increased competitive pressures in the region and reduced trips. However, spend per trip increased. Included in the 2010 third-quarter and nine-months income from operations was an impairment charge of \$9.0 million related to goodwill and other non-amortizing intangible assets at one of the region's properties. Prior to the consideration of the 2010 impairment charge, income from operations for the 2011 third quarter and nine months were relatively flat due to reduced property operating expenses as a result of continued focus on effective cost management through the implementation of the Company's efficiency projects, which offset the income impact of net revenue declines.

Illinois/Indiana Region

(\$ in millions)	Quarter Ended September 30,		Percent Increase/ (Decrease)	Nine Months Ended September 30,		Percent Increase/ (Decrease)
	2011	2010		2011	2010	
Casino revenues	\$249.1	\$288.1	(13.5)%	\$775.5	\$880.7	(11.9)%
Net revenues	260.2	289.4	(10.1)%	806.1	881.9	(8.6)%
Income from operations	30.5	16.7	82.6%	110.2	93.9	17.4%
Impairment of intangible assets, including goodwill	—	20.0	N/M	—	20.0	N/M
Income from operations before impairment charges	30.5	36.7	(16.9)%	110.2	113.9	(3.2)%
Operating margin	11.7%	5.8%	5.9 pts	13.7%	10.6%	3.1 pts
Operating margin before impairment charges	11.7%	12.7%	(1.0) pts	13.7%	12.9%	0.8 pts

Net revenues in the region decreased for the 2011 third quarter due to new competition and limited direct access by customers to one of our properties caused by a bridge closure, both of which resulted in decreased trips. However, spend per trip increased. Net revenues for the nine months were further reduced by the temporary closures of three properties in the region in the first half of 2011 due to flooding and severe weather conditions. Included in the 2010 third-quarter and nine-month income from operations was an impairment charge of \$20.0 million related to goodwill and other non-amortizing intangible assets at one of the region's properties. Prior to consideration of the 2010 impairment charge, income from operations decreased for the third quarter; however, the decrease for the nine months was partially offset as costs incurred during the first-half closures, as well as those connected with restoring the affected properties to operating condition, of approximately \$12 million have not been expensed, but instead have been recorded as a receivable from third-party insurance providers.

Other Nevada Region

(\$ in millions)	Quarter Ended September 30,		Percent Increase/ (Decrease)	Nine Months Ended September 30,		Percent Increase/ (Decrease)
	2011	2010		2011	2010	
Casino revenues	\$ 77.2	\$71.8	7.5%	\$182.0	\$185.0	(1.6)%
Net revenues	102.8	96.8	6.2%	244.3	245.8	(0.6)%
Income/(loss) from operations	24.5	14.8	65.5%	31.9	(24.8)	N/M
Impairment of intangible assets, including goodwill	—	—	N/M	—	49.0	N/M
Income from operations before impairment charges	24.5	14.8	65.5%	31.9	24.2	31.8%
Operating margin	23.8%	15.3%	8.5 pts	13.1%	(10.1)%	23.2 pts
Operating margin before impairment charges	23.8%	15.3%	8.5 pts	13.1%	9.8%	3.3 pts

Third-quarter 2011 net revenues for the region rose from the 2010 period due to increases in trips and spend per trip. Net revenues for the nine months 2011 were virtually flat from the 2010 period. Included in the 2010 nine-months loss from operations was an impairment charge of \$49.0 million related to goodwill and other non-amortizing intangible assets at one of the region's properties. Prior to the consideration of the nine-months 2010 impairment charge, third-quarter and nine-months 2011 income from operations increased due to the income impact of increased revenues and improved operating margins due to effective cost management.

Managed and International

(\$ in millions)	Quarter Ended September 30,		Percent Increase/ (Decrease)	Nine Months Ended September 30,		Percent Increase/ (Decrease)
	2011	2010		2011	2010	
Net revenues	\$124.5	\$109.0	14.2%	\$373.1	\$349.9	6.6%
Income/(loss) from operations	2.0	(7.3)	N/M	24.0	14.7	63.3%
Impairment of intangible assets, including goodwill	—	6.0	N/M	—	6.0	N/M
Income/(loss) from operations before impairment charges	2.0	(1.3)	N/M	24.0	20.7	15.9%
Operating margin	1.6%	(6.7)%	8.3 pts	6.4%	4.2%	2.2 pts
Operating margin before impairment charges	1.6%	(1.2)%	2.8 pts	6.4%	5.9%	0.5 pts

Net revenue increases during the 2011 third quarter were attributable to increases in spend per trip at the Company's Uruguay and London Clubs properties. Net revenue for the nine months 2011 were further increased by the full nine-month impact of our acquisition of Thistledown Racetrack in July 2010 and were partially offset by declines experienced by our two properties in Egypt due to political uprisings earlier in the year. Included in the 2010 third-quarter and nine-months results of operations was an impairment charge of \$6.0 million related to the impairment of intangible assets at one of the region's properties. Prior to the consideration of the 2010 impairment charge, income/(loss) from operations increased due primarily to the income impact of increased net revenues.

OTHER FACTORS AFFECTING NET INCOME

(\$ in millions) Expense/(Income)	Quarter Ended September 30,		Percentage Increase/ (Decrease)	Nine Months Ended September 30,		Percentage Increase/ (Decrease)
	2011	2010		2011	2010	
Write-downs, reserves and recoveries	\$ 42.3	\$ 24.1	75.5%	\$ 81.4	\$ 116.7	(30.2)%
Impairment of intangible assets, including goodwill	—	44.0	N/M	—	144.0	N/M
Corporate expense	27.3	24.0	13.8%	91.0	80.0	13.8%
Amortization of intangible assets	24.3	24.4	(0.4)%	72.9	77.0	(5.3)%
Interest expense, net	427.0	456.8	(6.5)%	1,381.7	1,314.4	5.1%
Effective income tax rate benefit	29.2%	38.1%	(8.9) pts	34.8%	36.9%	(2.1) pts

N/M = Not Meaningful

Write-downs, reserves and recoveries

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

Write-downs, reserves and recoveries increased \$18.2 million for the third quarter primarily due to increases in costs associated with the implementation of our efficiency projects. Write-downs, reserves and recoveries for the nine months decreased \$35.3 million due to decreases in remediation costs of \$15.0 million, and the effect of the second quarter 2010 charges of \$52.2 million to fully reserve a note-receivable balance related to a venture for development of a casino project in Philadelphia, and \$25.0 million relating to a previously disclosed contingency, with no comparable amounts in 2011. These decreases were offset in part by an increase in costs associated with the implementation of our efficiency projects of \$34.8 million.

Impairment of intangible assets

Our preliminary annual impairment assessment of goodwill and other non-amortizing intangibles assets as of September 30, 2011 did not result in any impairment charges. During 2010, due to the impact of weak economic conditions on certain properties, we performed an interim 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 of 2010, 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 which brought the aggregate charges recorded for the nine months 2010 to \$144.0 million.

Interest expense

Interest expense decreased \$29.8 million and increased \$67.3 million for the quarter and nine months ended September 30, 2011, respectively, compared to the same periods in 2010. Interest expense is reported net of capitalized interest of \$11.5 million and \$0.4 million for the quarters ended September 30, 2011 and 2010, respectively, and net of capitalized interest of \$12.2 million and \$1.1 million for the nine months ended September 30, 2011 and 2010, respectively. The majority of the capitalized interest in 2011 relates to the completion of the Octavius Tower at Caesars Palace Las Vegas. Prior to the consideration of capitalized interest, interest expense decreased \$18.7 million for the quarter ended September 30, 2011 compared to the same period in 2010 due primarily to changes in fair values of derivative instruments and the impact of 2011 swap amendments, partially offset by additional amortization of deferred losses frozen in Accumulated Other Comprehensive Loss ("AOCL") and additional interest expense associated with new debt issuances. Interest expense increased \$78.4 million for the nine months ended September 30, 2011 compared to the same period in 2010 due primarily to additional amortization of deferred losses frozen in AOCL and additional interest expense associated with new debt issuances, partially offset by the impact of 2011 swap amendments. Interest expense for the quarter ended September 30, 2011, as a result of interest rate swap agreements and interest rate cap agreements, includes (i) \$78.7 million of gains due to measured ineffectiveness and amounts excluded from effectiveness testing for derivatives designated as hedging instruments; (ii) \$6.2 million of expense due to changes in fair value for derivatives not designated as hedging instruments; and (iii) \$34.2 million of expense due to amortization of deferred losses frozen in AOCL. Interest expense for the nine months ended September 30, 2011, as a result of interest rate swap agreements and interest rate cap agreements, includes (i) \$74.3 million of gains due to measured ineffectiveness and amounts excluded from effectiveness testing for derivatives designated as hedging instruments; (ii) \$10.6

million of expense due to changes in fair value for derivatives not designated as hedging instruments; and (iii) \$39.2 million of expense due to amortization of deferred losses frozen in AOCL.

Losses on early extinguishment of debt

The nine months ended September 30, 2010 includes losses on early extinguishments of debt of \$4.5 million related to an offering we completed which retired outstanding senior and senior subordinated notes.

Income tax benefit

The Company's third quarter 2011 effective tax rate benefit was 29.2 percent, compared with an effective tax rate benefit of 38.1 percent for the third quarter 2010. The decrease in the effective tax rate benefit for 2011 was primarily due to losses incurred in various state and foreign jurisdictions for which we did not provide a tax benefit in 2011 and from nondeductible losses on our company-owned life insurance policies during 2011.

OTHER ITEM

In September 2011, the Company sold the right to operate the World Series of Poker land-based tournaments to a majority owned subsidiary of Caesars Entertainment.

LIQUIDITY AND CAPITAL RESOURCES

Cost Savings Initiatives

Caesars Entertainment has undertaken comprehensive cost-reduction efforts to right-size expenses with business levels. During the fourth quarter of 2010, the Company launched a new initiative to reinvent certain aspects of its functional and operating units in an effort to gain significant further cost reductions and streamline our operations. During the third quarter and nine months 2011, the Company realized cost savings of \$59.5 million and \$166.2 million, respectively and has estimated cost savings yet to be allocated to CEOC of \$141.7 million as of that date.

Capital Spending and Development

In addition to the current development and expansion projects discussed in the "Regional Operating Results" section, we incur capital expenditures in the normal course of business and we perform on-going 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 nine-months 2011 totaled \$171.3 million, which includes an increase of \$30.9 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, joint venture partners, specific project financing and additional debt offerings. Estimated total capital expenditures for 2011, including 2011 expenditures associated with Project Linq and Project Octavius, are expected to be between \$250.0 million and \$300.0 million.

Liquidity

Our cash and cash equivalents totaled \$778.2 million at September 30, 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 September 30, 2011 CEOC has \$451.9 million of current and non-current restricted cash, which is included in our Unaudited Consolidated Condensed 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 nine months ended September 30, 2011 includes \$451.9 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 in the first quarter 2011 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 September 30, 2011, we had \$15,729.8 million book value of indebtedness outstanding and cash paid for interest for the nine months ended September 30, 2011 was \$979.6 million.

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 September 30, 2011, our additional borrowing capacity under the credit facility was \$1,080.2 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 twelve months and to fund capital expenditures. We may consider issuing additional debt, or equity, in the future to refinance existing debt or to finance specific capital projects.

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 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, joint venture partners or, if necessary, additional debt offerings.

The following table presents our outstanding debt as of September 30, 2011 and December 31, 2010:

<u>Detail of Debt (dollars in millions)</u>	<u>Final Maturity</u>	<u>Rate(s) at September 30, 2011</u>	<u>Face Value at September 30, 2011</u>	<u>Book Value at September 30, 2011</u>	<u>Book Value at Dec. 31, 2010</u>
Credit Facilities					
Term Loans B1-B3	2015	3.23%-3.37%	\$ 5,003.9	\$ 5,003.9	\$ 5,815.1
Term Loan B4	2016	9.50%	982.5	962.9	968.3
Term Loan B5	2018	4.50%	1,222.7	1,218.0	—
Revolving Credit Facility	2014	—	—	—	—
Secured Debt					
Senior Secured Notes	2017	11.25%	2,095.0	2,053.4	2,049.7
Second-Priority Senior Secured Notes	2018	12.75%	750.0	741.9	741.3
Second-Priority Senior Secured Notes	2018	10.0%	4,553.1	2,104.1	2,033.3
Second-Priority Senior Secured Notes	2015	10.0%	214.8	162.0	156.2
Chester Downs term loan	2016	12.375%	233.2	224.2	237.5
PHW Las Vegas senior secured loan	2015*	3.09%	517.7	427.5	423.8
Linq/Octavius Senior Secured Loan	2017	9.25%	450.0	445.7	—
Other, various maturities	Various	4.25%-6.0%	0.2	0.2	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	106.8	101.6
7.0%	2013	7.0%	0.6	0.6	0.6
5.625%	2015	5.625%	791.8	615.5	588.8
6.5%	2016	6.5%	573.2	433.8	418.5
5.75%	2017	5.750%	538.8	371.1	357.9
Floating Rate Contingent Convertible Senior Notes	2024	0.303%	0.2	0.2	0.2
Other Unsecured Borrowings					
5.3% special improvement district bonds	2035	5.3%	65.7	65.7	67.1
LIBOR plus 3.0% **	2014	3.23%	289.7	289.7	500.0
Other	Various	Various	1.0	1.0	1.0
Capitalized Lease Obligations					
6.42%-9.8%	to 2020	6.42%-9.8%	11.3	11.3	9.4
Total debt			18,910.9	15,729.8	14,960.8
Current portion of long-term debt			(45.1)	(45.1)	(55.6)
Long-term debt			\$ 18,865.8	\$ 15,684.7	\$ 14,905.2

* On October 26, 2011, we notified the lenders of our intent to exercise 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.

** Note payable to Caesars Entertainment.

As of September 30, 2011, book values are presented net of unamortized discounts, net of premiums, \$3,181.1 million. Book values as of December 31, 2010 are presented net of unamortized discounts of \$3,333.8 million.

Our current maturities of debt include required interim principal payments on each of our Term Loans, our Chester Downs term loans, and the special improvement district bonds. The PHW Las Vegas senior secured loan has not been included in current maturities of debt as of September 30, 2011 based upon the Company's notification to the lenders of its intent to exercise its option to extend the maturity of this loan.

In August 2008, Caesars Entertainment 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. On February 24, 2011, the CEC Board of Directors approved an increase in the maximum amount to \$750.0 million. 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 percent. 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. During the quarter ended March 31, 2011, Caesars Entertainment contributed \$220.8 million of the previously outstanding loan balance which increased Caesars Entertainment's equity in CEOC. As a result of net re-payment of approximately \$20.5 million during the quarter ended September 30, 2011, there is \$289.7 million outstanding under the agreement at September 30, 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 to Extended Term Loans.

As of September 30, 2011, our Credit Facilities provide for senior secured financing of up to \$8,415.9 million, consisting of (i) senior secured term loan facilities in an aggregate principal amount of \$7,209.1 million with \$5,003.9 million maturing on January 28, 2015 \$982.5 million maturing on October 31, 2016, (the \$982.5 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 \$7,209.1 million face amount of borrowings were outstanding under the Credit Facilities as of September 30, 2011, with \$126.6 million of the revolving credit facility committed to outstanding letters of credit. After consideration of these borrowings and letters of credit, \$1,080.2 million of additional borrowing capacity was available to the Company under its revolving credit facility as of September 30, 2011.

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 notified the lenders of our intent to exercise the option to extend the PHW Las Vegas senior secured loan to 2013. The loan contains an additional extension option (subject to certain conditions,) which if exercised, would extend its maturity until April 2015. 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, Caesars Entertainment, together with certain indirect wholly-owned subsidiaries of the Company (the “Borrowers”) entered into a credit agreement (the “Credit Agreement”) pursuant to which the Borrowers incurred financing 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 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. These funds will be 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, Caesars Entertainment 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 Caesars Entertainment 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, Caesars Entertainment has contributed the existing Octavius Tower and related assets to one of the Borrowers, the book value of which was \$317.2 million. In August, 2011 Caesars Entertainment 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 \$297.9 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. CEOC has guaranteed certain of the obligations of the lessees under the Project Octavius and Project Linq leases described above.

Pursuant to the Credit Agreement, Caesars Entertainment 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, Caesars Entertainment 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, Caesars Entertainment 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 Caesars Entertainment under the performance guarantee is \$50.0 million. Except in the circumstances described above, neither Caesars Entertainment nor CEOC has any material obligations under the Term Facility, and the Term Facility is non-recourse to Caesars Entertainment or CEOC.

The 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 Credit Agreement requires up to 50.0 percent 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

In October, 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.

Exchange Offers, Debt Purchases 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 percent 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 Entertainment 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 percent 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.

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 September 30, 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 percent; in each case plus an applicable margin. At September 30, 2011, borrowings under the Incremental Loans bore interest at the minimum base rate of 2.0 percent, 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 September 30, 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 September 30, 2011, the Credit Facilities bore a commitment fee for unborrowed amounts of 50 basis points.

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, payable to third party lenders on a monthly basis, at a rate per annum equal to LIBOR plus 2.859 percent. Interest only participations of PHW Las Vegas bear interest at a fixed rate equal to \$7.3 million per year, payable to the subsidiary of CEOC that owns such participations.

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 percent, in each case plus an applicable margin. At September 30, 2011, borrowings under the agreement bore interest at 1.25 percent, 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 percent 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 Registrant, to the full extent of the actual benefit received by the Registrant. 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 and 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 September 30, 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 September 30, 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 Sept. 30, 2011</u>	<u>Next Reset Date</u>	<u>Maturity Date</u>
April 25, 2011	\$ 250.0	1.351%	0.235%	October 25, 2011	January 25, 2015
April 25, 2011	250.0	1.347%	0.235%	October 25, 2011	January 25, 2015
April 25, 2011	250.0	1.350%	0.235%	October 25, 2011	January 25, 2015
January 25, 2011	1,000.0	3.233%	0.253%	October 25, 2011	January 25, 2015
April 25, 2011	1,000.0	3.315%	0.253%	October 25, 2011	January 25, 2015
January 25, 2011	1,000.0	3.915%	0.253%	October 25, 2011	January 25, 2015
April 25, 2011	1,000.0	3.385%	0.253%	October 25, 2011	January 25, 2015
January 25, 2011	1,000.0	3.935%	0.253%	October 25, 2011	January 25, 2015

The variable rate on our interest rate swap agreements did not materially change as a result of the October 25, 2011 reset.

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

In connection with the transactions to amend and extend the swap contracts, we removed the cash flow hedging designation for those swap agreements, freezing the amount of deferred losses recorded in AOCL. We are amortizing deferred losses from the amend and extend transactions and other amounts previously frozen in AOCL into income over the original remaining term

of the hedged forecasted transactions that are still considered to be probable of occurring. For the quarter and nine months ended September 30, 2011, we amortized \$20.6 million and \$37.0 million, respectively, out of AOCL to interest expense. We will amortize an additional \$73.5 million out of AOCL to interest expense over the next twelve months.

During the second quarter of 2011, we re-designated \$4,310.1 million of the amended swap contracts as cash flow hedging instruments. To qualify for cash flow hedge accounting, the total designated swap amounts must match the critical terms such as notional amounts, benchmark interest rates and payment dates of the corresponding debt. At September 30, 2011, \$5,060.1 million of our total interest rate swap agreements notional amount of \$5,750.0 million are designated as hedging instruments for accounting purposes. Any future changes in fair value of the portion of the interest rate swap agreement not designated as a hedging instrument will be recognized in interest expense during the period in which the changes in value occur.

Derivative Instruments—Interest Rate Cap Agreements

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 interest rate of the PHW Las Vegas senior secured loan. The interest rate cap agreement is for a notional amount of \$554.3 million at a LIBOR cap rate of 5.0 percent, and matures 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. Any subsequent 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 Unaudited Consolidated Condensed Balance Sheets as of September 30, 2011 and December 31, 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	\$ —	Accrued expenses	\$ (21.6)
Interest rate swaps	Deferred charges and other	—	Deferred charges and other	11.6	Deferred credits and other	(335.1)	Deferred credits and other	(305.5)
Subtotal		—		11.6		(335.1)		(327.1)
Derivatives not designated as hedging instruments								
Interest rate swaps		—		—	Deferred credits and other	(19.7)	Deferred credits and other	(32.2)
Interest rate cap		—		—		—		—
Total Derivatives		<u>\$ —</u>		<u>\$ 11.6</u>		<u>\$ (354.8)</u>		<u>\$ (359.3)</u>

The following table represents the effect of derivative instruments in the Unaudited Consolidated Condensed Statements of Operations for the quarters ended September 30, 2011 and 2010 for amounts transferred into or out of AOCL:

(In millions)	Amount of (Gain) or Loss Recognized in AOCL		Location of (Gain) or Loss Reclassified From AOCL Into Income	Amount of (Gain) or Loss Reclassified from AOCL into Income		Location of (Gain) or Loss Recognized in Income	Amount of (Gain) or Loss Recognized in Income	
	(Effective Portion)			(Effective Portion)			(Ineffective Portion)	
	Quarter Ended Sept. 30, 2011	Quarter Ended Sept. 30, 2010		Quarter Ended Sept. 30, 2011	Quarter Ended Sept. 30, 2010		Quarter Ended Sept. 30, 2011	Quarter Ended Sept. 30, 2010
Derivatives designated as hedging instruments								
Interest rate contracts	\$ 72.3	\$ 15.2	Interest expense	\$ 34.2	\$ 2.4	Interest expense	\$ (78.7)	\$ (6.4)

(In millions)	Amount of (Gain) or Loss Recognized in Income	
	Quarter Ended Sept. 30, 2011	Quarter Ended Sept. 30, 2010
	Location of (Gain) or Loss Recognized in Income	Location of (Gain) or Loss Recognized in Income
Derivatives not designated as hedging instruments		
Interest rate contracts	\$ 6.2	\$ (0.5)

The following table represents the effect of derivative instruments in the Unaudited Consolidated Condensed Statements of Operations for the nine months ended September 30, 2011 and 2010 for amounts transferred into or out of AOCL:

(In millions)	Amount of (Gain) or Loss Recognized in AOCL		Location of (Gain) or Loss Reclassified From AOCL Into Income	Amount of (Gain) or Loss Reclassified from AOCL into Income		Location of (Gain) or Loss Recognized in Income	Amount of (Gain) or Loss Recognized in Income		
	(Effective Portion)			(Effective Portion)			(Ineffective Portion)	(Ineffective Portion)	
	Nine Months Ended Sept. 30, 2011	Nine Months Ended Sept. 30, 2010		Nine Months Ended Sept. 30, 2011	Nine Months Ended Sept. 30, 2010			Nine Months Ended Sept. 30, 2011	Nine Months Ended Sept. 30, 2010
Derivatives designated as hedging instruments									
Interest rate contracts	\$ 70.9	\$ 99.9	Interest expense	\$ 39.2	\$ 7.2	Interest expense	\$ (74.3)	\$ (66.0)	

(In millions)	Amount of (Gain) or Loss Recognized in Income	
	Nine Months Ended Sept. 30, 2011	Nine Months Ended Sept. 30, 2010
	Location of (Gain) or Loss Recognized in Income	Location of (Gain) or Loss Recognized in Income
Derivatives not designated as hedging instruments		
Interest rate contracts	\$ 10.6	\$ 1.9

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 quarters ended September 30, 2011 and 2010 by approximately \$41.0 million and \$64.8 million, respectively. This cash settlement portion of the interest rate swap agreements increased interest expense for the nine months ended September 30, 2011 and 2010 by approximately \$158.3 million and \$199.3 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 \$5,060.1 million of variable-rate debt for which our interest rate swap agreements are designated as hedging instruments for accounting purposes, for the next twelve months, a hypothetical 1.0 percent increase in corresponding interest rates would increase interest expense for the twelve months following September 30, 2011 by approximately \$21.3 million. At September 30, 2011, our weighted average USD LIBOR rate for our variable rate debt was 0.313 percent. A hypothetical reduction of this rate to zero percent would decrease interest expense for the next twelve months by approximately \$6.7 million. At September 30, 2011, our variable-rate debt, excluding the aforementioned \$5,060.1 million of variable-rate debt hedged using interest rate swap agreements, represents approximately 7.0 percent of our total debt, while our fixed-rate debt is approximately 93.0 percent of our total debt.

GUARANTEES OF THIRD-PARTY DEBT AND OTHER OBLIGATIONS AND COMMITMENTS

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 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. Our aggregate monthly commitment for the minimum guaranteed payments pursuant to the Cherokee amendment is \$84.0 million over the contract term. Currently this casino generates sufficient cash flows to cover all of its obligations, including its debt service.

Other than the item mentioned above, as of September 30, 2011, there had been no material changes outside the ordinary course of business to our aggregated indebtedness and other known contractual obligations, which were disclosed in the Supplemental Discussion of Caesars Entertainment Operating Company Results filed as Exhibit 99.1 to our Annual Report on Form 10-K/A for the year ended December 31, 2010.

DEBT COVENANT COMPLIANCE

Certain covenants contained in our credit agreement require the maintenance of a senior first priority secured debt to last twelve months adjusted earnings before interest, taxes, depreciation and amortization adjusted for estimated costs savings yet to be realized ("LTM Adjusted EBITDA - Pro Forma"), as defined in the agreements, ratio ("Senior Secured Leverage Ratio"). Our credit agreement excludes from the Senior Secured Leverage Ratio (a) the \$1,375.0 million Original First Lien Notes issued June 15, 2009 and the \$720.0 million Additional First Lien Notes issued on September 11, 2009 and (b) up to \$350.0 million aggregate principal amount of consolidated debt of subsidiaries that are not wholly owned subsidiaries. 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.

Certain covenants contained in our credit agreement governing our senior secured credit facilities, the indenture and other agreements governing our 10.0 percent Second-Priority Senior Secured Notes due 2015 and 2018, and our first lien notes restrict our ability to take certain actions such as incurring additional debt or making acquisitions if we are unable to meet defined Adjusted EBITDA to Fixed Charges, senior secured debt to LTM Adjusted EBITDA - Pro Forma and consolidated debt to LTM Adjusted EBITDA - Pro Forma ratios. The covenants that restrict additional indebtedness and the ability to make future acquisitions require an LTM Adjusted EBITDA - Pro Forma to Fixed Charges ratio (measured on a trailing four-quarter basis) of 2.0:1.0. 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 our credit agreement and indentures, including the Senior Secured Leverage Ratio, as of September 30, 2011. If our LTM Adjusted EBITDA - Pro Forma were to decline significantly from the level achieved at September 30, 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 the Caesars Commercial Mortgage-Backed Securities Related Properties

In January, 2008, Caesars Entertainment Corporation (“Caesars Entertainment”) was acquired by affiliates of Apollo Global Management, LLC (“Apollo”) and TPG Capital, LP (“TPG”) in an all cash transaction, hereinafter referred to as 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. (“CEOC”), 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 currently secured under \$5,031.5 million face value of commercial mortgage-backed securities (“CMBS”) financing (the “CMBS Financing”).

As of September 30, 2011 and December 31, 2010, and for the quarters and nine months ended September 30, 2011 and 2010, the properties securing the CMBS Financing were Harrah’s Las Vegas, Rio, Flamingo Las Vegas, Harrah’s Atlantic City, Paris Las Vegas and Harrah’s Laughlin (the “CMBS properties”).

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 in our filings of this Exhibit 99.2 since that time. At September 30, 2011, the trademark values have been properly presented in the CMBS properties’ Unaudited Condensed Combined Balance Sheet as of September 30, 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.

OPERATING RESULTS FOR CMBS PROPERTIES

Overall CMBS Properties Results

The following tables represent CMBS properties’ Unaudited Condensed Combined Balance Sheets as of September 30, 2011 and December 31, 2010, and their Unaudited Condensed Combined Statements of Operations for the quarters and nine months ended September 30, 2011 and 2010 and Unaudited Condensed Combined Statements of Cash Flows for the nine months ended September 30, 2011 and 2010.

CMBS Properties
Condensed Combined Balance Sheets
(Unaudited)

<u>(In millions)</u>	<u>September 30,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 121.2	\$ 121.8
Receivables, net of allowance for doubtful accounts	65.8	66.1
Deferred income taxes	10.5	14.8
Prepayments and other current assets	61.2	33.1
Inventories	11.0	11.7
Total current assets	269.7	247.5
Land, buildings and equipment, net of accumulated depreciation	5,129.7	5,340.4
Goodwill	1,689.4	1,689.4
Intangible assets other than goodwill	558.6	558.0
Restricted cash	56.3	—
Deferred charges and other	113.9	133.5
	<u>\$ 7,817.6</u>	<u>\$ 7,968.8</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 28.0	\$ 30.1
Interest payable	7.2	8.0
Accrued expenses	160.9	135.6
Due to affiliates, net	36.1	17.4
Current portion of long-term debt	0.5	—
Total current liabilities	232.7	191.1
Long-term debt	5,026.1	5,182.3
Deferred credits and other	31.3	29.5
Deferred income taxes	1,615.9	1,623.7
	<u>6,906.0</u>	<u>7,026.6</u>
Total equity	911.6	942.2
	<u>\$ 7,817.6</u>	<u>\$ 7,968.8</u>

CMBS Properties
Condensed Combined Statements of Operations
(Unaudited)

<u>(In millions)</u>	<u>Quarter Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues				
Casino	\$ 312.1	\$ 323.0	\$ 925.1	\$ 968.6
Food and beverage	130.5	130.2	379.6	382.6
Rooms	117.6	109.4	344.5	325.9
Other	52.7	51.3	150.4	144.6
Less: casino promotional allowances	<u>(91.2)</u>	<u>(93.7)</u>	<u>(266.3)</u>	<u>(282.9)</u>
Net revenues	<u>521.7</u>	<u>520.2</u>	<u>1,533.3</u>	<u>1,538.8</u>
Operating expenses				
Direct				
Casino	162.8	168.8	477.1	498.2
Food and beverage	64.6	62.5	183.5	180.4
Rooms	30.5	27.0	87.2	78.9
Property general, administrative and other	139.6	133.4	398.8	391.0
Depreciation	41.5	40.6	118.2	122.0
Write-downs, reserves and recoveries	1.9	4.7	6.2	19.5
(Income)/loss on interests in non-consolidated affiliates	(0.3)	(0.2)	1.3	(1.3)
Corporate expense	16.6	17.9	61.8	37.3
Acquisition and integration costs	(0.1)	—	0.2	—
Amortization of intangible assets	<u>14.9</u>	<u>14.9</u>	<u>44.7</u>	<u>44.7</u>
Total operating expenses	<u>472.0</u>	<u>469.6</u>	<u>1,379.0</u>	<u>1,370.7</u>
Income from operations	49.7	50.6	154.3	168.1
Interest expense, net of capitalized interest	(51.5)	(65.5)	(157.8)	(195.8)
Gains on early extinguishments of debt	—	77.4	47.5	53.3
Other income, including interest income	<u>0.6</u>	<u>0.1</u>	<u>0.7</u>	<u>0.4</u>
(Loss)/income before income taxes	(1.2)	62.6	44.7	26.0
Benefit/(provision) for income taxes	<u>0.1</u>	<u>(24.9)</u>	<u>(16.2)</u>	<u>(11.8)</u>
Net income/(loss)	<u>\$ (1.1)</u>	<u>\$ 37.7</u>	<u>\$ 28.5</u>	<u>\$ 14.2</u>

CMBS Properties
Condensed Combined Statements of Cash Flows
(Unaudited)

(In millions)	Nine Months Ended September 30,	
	2011	2010
Cash flows provided by operating activities	\$ 110.0	\$ 172.3
Cash flows (used in)/provided by investing activities		
Land, buildings and equipment additions, net of change in construction payables	(24.5)	(20.0)
Change in restricted cash	(81.1)	—
Other	(5.0)	2.2
Cash flows used in investing activities	(110.6)	(17.8)
Cash flows used in financing activities		
Cash paid in connection with early extinguishments of debt	(108.5)	(53.6)
Debt issuance costs and fees	—	(41.1)
Transfers from and (distributions to) affiliates, net and other	108.5	(115.9)
Cash flows used in financing activities	—	(210.6)
Effect of deconsolidation of variable interest entities	—	(1.1)
Net decrease in cash and cash equivalents	(0.6)	(57.2)
Cash and cash equivalents, beginning of period	121.8	134.7
Cash and cash equivalents, end of period	\$ 121.2	\$ 77.5
Cash paid for interest	\$ 125.0	\$ 137.9

Summary Information for CMBS Properties

(\$ in millions)	Quarter Ended September 30,		Percent Increase/ (Decrease)	Nine Months Ended September 30,		Percent Increase/ (Decrease)
	2011	2010		2011	2010	
Casino revenues	\$ 312.1	\$ 323.0	(3.4)%	\$ 925.1	\$ 968.6	(4.5)%
Net revenues	521.7	520.2	0.3%	1,533.3	1,538.8	(0.4)%
Income from operations	49.7	50.6	(1.8)%	154.3	168.1	(8.2)%
Net income/(loss)	(1.1)	37.7	N/M	28.5	14.2	N/M
Operating margin	9.5%	9.7%	(0.2) pts	10.1%	10.9%	(0.8) pts

N/M = Not Meaningful

Despite decreased casino revenues, net revenues for the 2011 third quarter and nine months were relatively flat as positive fundamentals in Las Vegas were able to offset declines in Atlantic City. Hurricane Irene, which made landfall in New Jersey in August 2011, caused a temporary closure of Harrah's Atlantic City. We estimate that the closure reduced revenues by approximately \$7 million to \$9 million and reduced income from operations by approximately \$5 million to \$6 million.

Income from operations was relatively flat for the third-quarter 2011 but decreased for the nine-months 2011 when compared to the year-ago period. The decrease is primarily due to other factors affecting net income during the nine-month period as further described below.

Other Factors Affecting Net Income

(\$ in millions) Expense/(Income)	Quarter Ended September 30,		Percent Increase/ (Decrease)	Nine Months Ended September 30,		Percent Increase/ (Decrease)
	2011	2010		2011	2010	
Write-downs, reserves and recoveries	1.9	4.7	(59.6)%	6.2	19.5	(68.2)%
Corporate expense	16.6	17.9	(7.3)%	61.8	37.3	65.7%
Amortization of intangible assets	14.9	14.9	— %	44.7	44.7	— %
Interest expense, net	51.5	65.5	(21.4)%	157.8	195.8	(19.4)%
Gains on early extinguishments of debt	—	(77.4)	N/M	(47.5)	(53.3)	(10.9)%

Write-downs, reserves and recoveries include costs associated with efficiency projects, demolition costs, and property remediation costs. Given the nature of the transactions included within write-downs, reserves and recoveries, these amounts are not expected to be comparable from period-to-period, nor are the amounts expected to follow any particular trend.

Write-downs, reserves and recoveries decreased in the 2011 periods due to decreases in property remediation costs of \$3.2 million and \$14.2 million for the third-quarter and nine-month periods, respectively.

Corporate expense for the nine months 2011 varied versus the same period in 2010 due to fluctuations in the corporate expense allocations during each of the respective periods and due to monthly management fees paid to Caesars Entertainment as required under the CMBS Loan Agreement which commenced in the third quarter 2010.

Interest expense decreased by \$14.0 million and \$38.0 million for the quarter and nine months ended September 30, 2011, respectively, compared to the same periods in 2010 due to repurchases of CMBS Loans during the third and fourth quarters of 2010 and the first half of 2011. Interest expense for the quarter ended September 30, 2011, as a result of interest rate cap

agreements, includes (i) \$0.1 million of expense due to changes in fair value for derivatives not designated as hedging instruments; and (ii) \$6.3 million of expense due to amortization of deferred losses frozen in Accumulated Other Comprehensive Loss (“AOCL”) which is included in Total equity on the Unaudited Condensed Combined Balance Sheets. Interest expense for the nine months ended September 30, 2011, as a result of interest rate cap agreements, includes (i) \$1.3 million of expense due to changes in fair value for derivatives not designated as hedging instruments; and (ii) \$20.6 million of expense due to amortization of deferred losses frozen in AOCL. At September 30, 2011, all of our debt is variable-rate debt.

We did not have any early extinguishments of debt during the 2011 third quarter. Gains on early extinguishments of debt during the 2011 nine months, and the 2010 third quarter and nine months, 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.

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 \$297.9 million. Of the assets contributed to Project Linq, \$98.1 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

During the fourth quarter of 2010, Caesars Entertainment launched a new initiative to reinvent certain aspects of its functional and operating units in an effort to gain significant further cost reductions and streamline our operations.

In accordance with our shared services agreement with Caesars Entertainment, \$60.7 million in estimated future cost savings have been allocated to the CMBS properties. In addition, the CMBS properties have realized cost savings of \$25.5 million and \$71.2 million during the quarter and nine months ended September 30, 2011, respectively.

Capital Spending and Development

We incur capital expenditures in the normal course of business and we perform on-going 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 nine-months 2011 totaled \$25.5 million, which includes an increase of \$1.0 million of construction payables.

Estimated total capital expenditures for 2011, including 2011 expenditures associated with Project Linq, a retail, dining and entertainment corridor located between the Imperial Palace Hotel and Casino and the Flamingo Las Vegas on the Las Vegas strip, are expected to be between \$30.0 million and \$50.0 million.

Liquidity

Our cash and cash equivalents totaled \$121.2 million at September 30, 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 September 30, 2011, the CMBS properties have \$81.1 million of current and non-current restricted cash, which is included in our Condensed Combined Balance Sheet as \$24.8 million of Prepayments and other current assets and \$56.3 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 nine months ended September 30, 2011 includes \$81.1 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 in the first quarter 2011 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.

The CMBS Properties are highly leveraged and a significant amount of our liquidity needs are for debt service. As of September 30, 2011, we had \$5,026.6 million book value of indebtedness outstanding, including capital lease indebtedness, and cash paid for interest for the nine months ended September 30, 2011 was \$125.0 million.

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. The distribution of cash in excess of that needed to fund the operations of the CMBS properties is limited, as discussed more fully in the *Restrictive Covenants and Other Matters* section of Capital Resources below.

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 and our cash flows from operations will be sufficient to meet our normal operating requirements during the next twelve months and to fund capital expenditures. We may consider issuing additional debt, or equity, in the future to refinance existing debt or to finance specific capital projects.

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—CMBS Financing

In connection with the Acquisition, the CMBS properties borrowed \$6,500.0 million under the CMBS Financing. At September 30, 2011 and December 31, 2010, there was \$5,025.7 million and \$5,182.3 million, respectively, of book value outstanding under the CMBS Financing. The book value at September 30, 2011 and December 31, 2010 is net of approximately \$5.8 million and \$7.3 million, respectively, representing unamortized fees incurred in connection with the August 2010 amendment, as further described below, and recorded as a discount on debt.

All of the debt under the CMBS Loan Agreement (and related loan amendments) is due in 2015, assuming we satisfy all conditions necessary under amendments to the CMBS Loan Agreement that permit us to extend the maturity from 2013, discussed more fully below. Payments of short-term debt obligations and other commitments are expected to be made from operating cash flows. Long-term obligations are expected to be paid through operating cash flows, refinancing of debt, or joint venture partners.

Pursuant to the terms of the amendment as initially agreed to on March 5, 2010 and finalized August 31, 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.

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.

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.

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 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 percent 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 percent 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 percent 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.

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 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 percent. The CMBS 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 (included in Total equity on the Unaudited Condensed Combined Balance Sheets included herein) and into interest expense associated with hedges for which the forecasted future transactions are no longer probable of occurring. The following table summarizes the face value of debt extinguishments and the amount of deferred losses reclassified out of AOCL (in millions):

<u>Extinguishment Date</u>	<u>Debt Extinguished</u>	<u>Deferred Losses Reclassified</u>
June 7, 2010	\$ 46.6	\$ 0.8
September 1, 2010	123.8	1.5
December 13, 2010	191.3	3.3
March 11, 2011	108.1	1.4
April 1, 2011	50.0	0.5

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 quarter and nine months ended September 30, 2011, we recorded \$5.2 million and \$15.7 million, respectively, as an increase to interest expense. 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.

GUARANTEES OF THIRD-PARTY DEBT AND OTHER OBLIGATIONS AND COMMITMENTS

As of September 30, 2011, there had been no material changes outside the ordinary course of business to our aggregated indebtedness and other known contractual obligations, which are set forth in the table included in the Supplemental Discussion of Caesars Commercial Mortgage-Backed Securities Related Properties filed as Exhibit 99.2 to our Annual Report on Form 10-K for the year ended December 31, 2010.