

**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, 2012

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 Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class
Common stock, \$0.01 par value

Outstanding at November 1, 2012
125,312,197

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CAESARS ENTERTAINMENT CORPORATION

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

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2012	December 31, 2011
Assets		
Current assets		
Cash and cash equivalents	\$ 1,189.4	\$ 894.6
Restricted cash	799.4	66.6
Receivables, less allowance for doubtful accounts of \$217.2 and \$202.3	495.8	488.3
Deferred income taxes	170.5	170.5
Prepayments and other current assets	165.5	161.0
Inventories	49.5	44.6
Assets held for sale	9.7	11.6
Total current assets	2,879.8	1,837.2
Property and equipment, net	16,588.6	17,069.9
Goodwill	3,100.8	3,360.4
Intangible assets other than goodwill	4,042.7	4,363.2
Investments in and advances to non-consolidated affiliates	109.8	94.2
Restricted cash	269.3	451.1
Deferred charges and other	759.6	746.2
Assets held for sale	592.3	593.4
	<u>\$ 28,342.9</u>	<u>\$ 28,515.6</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 330.3	\$ 290.1
Interest payable	348.7	191.4
Accrued expenses	1,140.8	1,070.8
Current portion of long-term debt	797.3	40.4
Liabilities held for sale	8.2	10.1
Total current liabilities	2,625.3	1,602.8
Long-term debt	19,961.2	19,759.5
Deferred credits and other	892.1	901.8
Deferred income taxes	4,749.6	5,198.1
	28,228.2	27,462.2
Commitments and contingencies		
Stockholders' equity		
Common stock; voting; \$0.01 par value; 127.4 and 125.4 shares issued, respectively	1.3	0.7
Treasury stock; 2.1 and 0.3 shares, respectively	(16.3)	—
Additional paid-in capital	6,945.9	6,885.1
Accumulated deficit	(6,810.5)	(5,782.7)
Accumulated other comprehensive loss	(87.0)	(96.4)
Total Caesars stockholders' equity	33.4	1,006.7
Non-controlling interests	81.3	46.7
Total equity	114.7	1,053.4
	<u>\$ 28,342.9</u>	<u>\$ 28,515.6</u>

See accompanying Notes to Consolidated Condensed Financial Statements.

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CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)
(In millions, except per share data)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues				
Casino	\$ 1,580.0	\$ 1,629.5	\$ 4,758.4	\$ 4,846.5
Food and beverage	389.7	397.4	1,158.3	1,145.6
Rooms	312.1	311.0	932.3	905.9
Management fees	12.5	9.7	34.4	27.7
Other	226.6	163.5	626.7	469.8
Less: casino promotional allowances	(322.5)	(321.4)	(937.6)	(928.0)
Net revenues	<u>2,198.4</u>	<u>2,189.7</u>	<u>6,572.5</u>	<u>6,467.5</u>
Operating expenses				
Direct				
Casino	903.0	923.2	2,727.3	2,731.1
Food and beverage	170.3	173.1	503.2	495.7
Rooms	74.3	74.8	230.1	216.5
Property, general, administrative, and other	543.2	544.3	1,577.9	1,571.9
Depreciation and amortization	182.0	176.8	546.6	518.6
Write-downs, reserves, and project opening costs, net of recoveries	32.6	12.5	63.4	60.0
Intangible and tangible asset impairment charges	419.0	27.1	720.5	27.1
(Income)/loss on interests in non-consolidated affiliates	(1.5)	1.1	8.8	4.2
Corporate expense	51.8	36.5	145.2	115.1
Acquisition and integration costs	1.1	1.3	2.2	3.6
Amortization of intangible assets	43.2	39.2	129.6	117.7
Total operating expenses	<u>2,419.0</u>	<u>2,009.9</u>	<u>6,654.8</u>	<u>5,861.5</u>
(Loss)/income from operations	(220.6)	179.8	(82.3)	606.0
Interest expense, net of interest capitalized	(515.7)	(450.3)	(1,574.3)	(1,448.3)
Gains on early extinguishments of debt	—	—	79.5	47.9
Other income, including interest income	4.6	8.2	19.4	16.7
Loss from continuing operations before income taxes	(731.7)	(262.3)	(1,557.7)	(777.7)
Benefit for income taxes	225.5	77.7	502.9	271.2
Loss from continuing operations, net of income taxes	(506.2)	(184.6)	(1,054.8)	(506.5)
Discontinued operations				
Income from discontinued operations	4.6	18.4	46.5	57.9
Provision for income taxes	(1.8)	(7.2)	(18.0)	(22.7)
Income from discontinued operations, net of income taxes	<u>2.8</u>	<u>11.2</u>	<u>28.5</u>	<u>35.2</u>
Net loss	(503.4)	(173.4)	(1,026.3)	(471.3)
Less: net (income)/loss attributable to non-controlling interests	(2.1)	9.4	(1.5)	4.3
Net loss attributable to Caesars	(505.5)	(164.0)	(1,027.8)	(467.0)
Other comprehensive loss:				
Total other comprehensive (loss)/income, net of income taxes	(1.5)	(30.6)	10.7	(27.0)
Less: foreign currency translation adjustments attributable to non-controlling interests	0.2	(0.2)	(1.3)	(3.6)
Comprehensive loss attributable to Caesars	<u>\$ (506.8)</u>	<u>\$ (194.8)</u>	<u>\$ (1,018.4)</u>	<u>\$ (497.6)</u>
(Loss) per share - basic and diluted				
Loss per share from continuing operations	\$ (4.05)	\$ (1.40)	\$ (8.44)	\$ (4.01)
Earnings per share from discontinued operations	0.02	0.09	0.23	0.28
Net loss per share	<u>\$ (4.03)</u>	<u>\$ (1.31)</u>	<u>\$ (8.21)</u>	<u>\$ (3.73)</u>
Weighted-average common shares outstanding - basic and diluted	<u>125.3</u>	<u>125.0</u>	<u>125.3</u>	<u>125.1</u>

See accompanying Notes to Consolidated Condensed Financial Statements.

CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(In millions)

	Caesars Stockholders							
	Common Stock	Treasury Stock	Additional Paid-in- Capital	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Total Caesars Stockholders' Equity	Non- controlling Interests	Total Equity
Balance at December 31, 2010	\$ 0.7	\$ —	\$6,906.5	\$ (5,105.6)	\$ (168.8)	\$ 1,632.8	\$ 39.8	\$ 1,672.6
Effect of ASU 2010-16 Accruals for Casino Jackpot Liabilities, net of tax	—	—	—	10.7	—	10.7	—	10.7
Net loss	—	—	—	(467.0)	—	(467.0)	(4.3)	(471.3)
Share-based compensation	—	—	17.5	—	—	17.5	0.1	17.6
Increase of treasury shares	*	—	(1.5)	—	—	(1.5)	—	(1.5)
Distributions to non-controlling interests, net of contributions	—	—	—	—	—	—	4.8	4.8
Other comprehensive (loss)/income, net of tax	—	—	—	—	(30.6)	(30.6)	3.6	(27.0)
Balance at September 30, 2011	<u>\$ 0.7</u>	<u>\$ —</u>	<u>\$6,922.5</u>	<u>\$ (5,561.9)</u>	<u>\$ (199.4)</u>	<u>\$ 1,161.9</u>	<u>\$ 44.0</u>	<u>\$ 1,205.9</u>
Balance at December 31, 2011	<u>\$ 0.7</u>	<u>\$ —</u>	<u>\$6,885.1</u>	<u>\$ (5,782.7)</u>	<u>\$ (96.4)</u>	<u>\$ 1,006.7</u>	<u>\$ 46.7</u>	<u>\$ 1,053.4</u>
Net (loss)/income	—	—	—	(1,027.8)	—	(1,027.8)	1.5	(1,026.3)
Share-based compensation	—	—	25.6	—	—	25.6	—	25.6
Initial public offering:	0.6	—	16.6	—	—	17.2	—	17.2
Common stock issuances	*	—	0.2	—	—	0.2	—	0.2
Increase in treasury shares	—	(16.3)	16.3	—	—	—	—	—
Increase in non-controlling interests, net of distributions	—	—	—	—	—	—	31.8	31.8
Other comprehensive loss, net of tax	—	—	—	—	9.4	9.4	1.3	10.7
Other	—	—	2.1	—	—	2.1	—	2.1
Balance at September 30, 2012	<u>\$ 1.3</u>	<u>\$ (16.3)</u>	<u>\$6,945.9</u>	<u>\$ (6,810.5)</u>	<u>\$ (87.0)</u>	<u>\$ 33.4</u>	<u>\$ 81.3</u>	<u>\$ 114.7</u>

* Amount rounds to zero.

See accompanying Notes to Consolidated Condensed Financial Statements.

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

	Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities		
Net loss	\$ (1,026.3)	\$ (471.3)
Adjustments to reconcile net loss to cash flows provided by operating activities:		
Income from discontinued operations	(28.5)	(35.2)
Gains on early extinguishments of debt	(79.5)	(47.9)
Depreciation and amortization	685.5	645.5
Amortization of deferred finance costs and debt discount/premium	232.7	176.2
Reclassification from, and amortization of, accumulated other comprehensive loss	21.2	60.6
Non-cash write-downs and reserves, net of recoveries	25.3	4.5
Impairment of intangible and tangible assets	720.5	27.1
Share-based compensation expense	43.0	17.6
Deferred income taxes	(454.0)	(263.0)
Change in deferred charges and other	(3.5)	42.1
Change in deferred credits and other	(46.2)	(90.0)
Change in current assets and liabilities:		
Accounts receivable	(22.0)	(26.5)
Prepayments and other current assets	(27.3)	12.8
Accounts payable	8.8	(17.7)
Interest payable	155.9	184.0
Accrued expenses	42.4	19.4
Other	10.3	30.0
Cash flows provided by operating activities	<u>258.3</u>	<u>268.2</u>
Cash flows from investing activities		
Acquisitions of property and equipment, net of change in construction payables	(304.0)	(161.6)
Change in restricted cash	(551.0)	(544.0)
Payments to acquire certain gaming rights	—	(22.7)
Payments to acquire businesses, net of transaction costs and cash acquired	7.7	(19.0)
Investments in/advances to non-consolidated affiliates and other	(22.8)	(76.0)
Cash received in conjunction with the sale of a subsidiary, net of cash contributed	42.4	—
Purchases of investment securities	(36.0)	(23.8)
Proceeds from the sale and maturity of investment securities	27.0	14.0
Other	(6.3)	1.0
Cash flows used in investing activities	<u>(843.0)</u>	<u>(832.1)</u>
Cash flows from financing activities		
Proceeds from the issuance of long-term debt	2,469.4	863.8
Debt issuance costs and fees	(31.9)	(17.5)
Borrowings under lending agreements	453.0	135.0
Repayments under lending agreements	(608.0)	(135.0)
Cash paid for early extinguishments of debt	(1,450.6)	(125.9)
Scheduled debt retirements	(12.7)	(34.4)
Purchase of additional interests in subsidiary	(9.6)	—
Proceeds from sale of additional interest in a subsidiary	32.2	—
Issuance of common stock, net of fees	17.4	—
Other	(9.2)	(1.8)
Cash flows provided by financing activities	<u>850.0</u>	<u>684.2</u>
Cash flows from discontinued operations		
Cash flows from operating activities	30.2	46.7
Cash flows from investing activities	(2.3)	(3.3)
Cash flows from financing activities	—	—
Net cash provided by discontinued operations	<u>27.9</u>	<u>43.4</u>
Net increase in cash and cash equivalents	293.2	163.7
Change in cash classified as assets held for sale	1.6	2.0
Cash and cash equivalents, beginning of period	894.6	973.5
Cash and cash equivalents, end of period	<u>\$ 1,189.4</u>	<u>\$ 1,139.2</u>

See accompanying Notes to Consolidated Condensed Financial Statements.

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

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

Note 1—Organization and Basis of Presentation

Organization

As of September 30, 2012, we owned, operated, or managed, through various subsidiaries, 53 casinos in 13 U.S. states and seven countries. The majority of these casinos operate in the United States and England, primarily under the Caesars, Harrah’s, and Horseshoe brand names in the U.S. Our casino entertainment facilities include 33 land-based casinos, 12 riverboat or dockside casinos, three managed casinos on Indian lands in the U.S., one managed casino in Cleveland, Ohio, one managed casino in Canada, one casino combined with a greyhound racetrack, one casino combined with a thoroughbred racetrack, and one casino combined with a harness racetrack. Our land-based casinos include one in Uruguay, nine in England, one in Scotland, two in Egypt, and one in South Africa. We view each casino property as an operating segment and aggregate all such casino properties into one reportable segment.

On January 28, 2008, Caesars Entertainment was acquired by affiliates of Apollo Global Management, LLC (“Apollo”) and affiliates of TPG Capital, LP (together with such affiliates, “TPG” and, together with Apollo, the “Sponsors”) in an all-cash transaction (the “Acquisition”). As a result of the Acquisition and through February 7, 2012, our stock was not publicly traded.

Effective February 8, 2012, as the result of the Company’s initial public offering, our common stock trades on the NASDAQ Global Select Market (“NASDAQ”) under the symbol “CZR.” In connection with the public offering, the Company effected a 1.742-for-one split of its common stock. All applicable share and per-share data presented herein have been retroactively adjusted to give effect to this stock split. See Note 7, “Stockholders’ Equity, Non-controlling Interests and Loss Per Share,” for further information.

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 footnotes necessary for complete financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”). The results for the interim periods reflect all adjustments (consisting primarily of normal recurring adjustments) that management considers necessary for a fair presentation of financial position, results of operations, 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 2012 fiscal year. The financial information as of December 31, 2011 is derived from our audited consolidated financial statements and footnotes for the year ended December 31, 2011 included in our 2011 Annual Report on Form 10-K (the “2011 10-K”) and has been revised to reflect the assets and liabilities of Harrah’s Maryland Heights, LLC, owner of the Harrah’s St. Louis casino, as held for sale. The financial information for the quarter and nine months ended September 30, 2011 has been revised to reflect the results of Harrah’s Maryland Heights, LLC as discontinued operations. See Note 2, “Acquisitions, Investments and Dispositions” for further discussion. We have revised certain other amounts for prior periods to conform to our 2012 presentation. The information included in this Quarterly Report on Form 10-Q (the “10-Q”) should be read in conjunction with the footnotes and management’s discussion and analysis of the consolidated financial statements in the 2011 10-K.

Note 2—Acquisitions, Investments and Dispositions

Acquisitions and Investments

Chester Downs

In January 2012, we received notice that the minority owners of Chester Downs and Marina, LLC (“Chester Downs”) elected to exercise their put rights thereby requiring us to purchase from the minority owners 90% of their interest in Chester Downs for consideration of \$9.6 million. We consummated this purchase on February 14, 2012. As a result, we now have a 99.5% ownership interest in this property.

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Windsor Casino Limited

In June 2012, Windsor Casino Limited (“WCL”) redeemed and canceled all of the WCL shares held by HPP International Corporation (a Hilton affiliate), an unrelated third party, representing 50% of WCL’s equity, for \$8.7 million. The redemption of the shares increased Caesars’ ownership interest to 100%. The results of WCL for the periods subsequent to the transaction are consolidated with our results of operations. Prior to June 2012, we had a 50% ownership interest in WCL that was accounted for under the equity method. WCL operates Caesars Windsor located in Windsor, Ontario, and the province of Ontario owns the complex.

Dispositions

Harrah’s St. Louis

In May 2012, the Company, along with certain of its wholly-owned subsidiaries, entered into an equity interest purchase agreement with Penn National Gaming, Inc. (“Penn”) whereby the Company agreed to sell its Harrah’s St. Louis casino to Penn for a purchase price of \$610.0 million subject to customary closing conditions, including the receipt of regulatory approvals. The sale closed on November 2, 2012. The Company expects to use the net proceeds from the sale to fund capital expenditures of Caesars Entertainment Operating Company, Inc. (“CEOC”).

All assets and liabilities to be sold pursuant to the purchase agreement have been classified as held for sale in our consolidated condensed balance sheets at September 30, 2012 and December 31, 2011, as follows:

<u>(In millions)</u>	<u>September 30, 2012</u>	<u>December 31, 2011</u>
Assets		
Cash and cash equivalents	\$ 8.4	\$ 10.0
Other current assets	1.3	1.6
Assets held for sale, current	<u>\$ 9.7</u>	<u>\$ 11.6</u>
Property and equipment, net	\$ 194.9	\$ 196.1
Goodwill	104.4	104.4
Intangible assets other than goodwill	292.7	292.7
Other long-term assets	0.3	0.2
Assets held for sale, non-current	<u>\$ 592.3</u>	<u>\$ 593.4</u>
Liabilities		
Accounts payable and accrued expenses	\$ 8.2	\$ 10.1
Liabilities held for sale, current	<u>\$ 8.2</u>	<u>\$ 10.1</u>

Net revenues, income before income taxes and net income of Harrah’s St. Louis, which are presented as discontinued operations in our consolidated condensed statements of comprehensive loss for the quarters and nine months ended September 30, 2012 and 2011, were as follows:

<u>(In millions)</u>	<u>Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Net revenues	<u>\$60.8</u>	<u>\$64.3</u>	<u>\$189.3</u>	<u>\$194.6</u>
Pre-tax income from discontinued operations	<u>\$ 4.6</u>	<u>\$18.4</u>	<u>\$ 46.5</u>	<u>\$ 57.9</u>
Discontinued operations, net of income taxes	<u>\$ 2.8</u>	<u>\$11.2</u>	<u>\$ 28.5</u>	<u>\$ 35.2</u>

Sale and Contribution of Thistledown Racetrack

In August 2012, Caesars Ohio Investment, LLC (“COI”) sold a 53.39% interest in Thistledown Racetrack, LLC (“Thistledown”) to Rock Ohio Ventures, LLC (formerly Rock Gaming, LLC) (“Rock”) for \$28.6 million. Effectively concurrent with this sale, COI contributed their remaining 46.61% interest in Thistledown to Rock Ohio Caesars, LLC (“ROC”) in exchange for additional equity interests. Immediately subsequent to these transactions, Rock purchased equity interests in ROC from COI for \$14.3 million to retain an 80% ownership interest in ROC. The Company recognized an \$11.0 million gain on these transactions.

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Note 3—Property and Equipment, net

Property and equipment, net consists of the following:

<u>(In millions)</u>	<u>September 30, 2012</u>	<u>December 31, 2011</u>
Land and land improvements	\$ 7,400.3	\$ 7,411.8
Land concessions	504.4	606.7
Buildings, riverboats, and improvements	8,987.1	8,944.5
Furniture, fixtures, and equipment	2,464.3	2,353.2
Construction in progress	362.9	361.1
	19,719.0	19,677.3
Less: accumulated depreciation	<u>(3,130.4)</u>	<u>(2,607.4)</u>
	<u>\$ 16,588.6</u>	<u>\$ 17,069.9</u>

Interest capitalized was \$9.5 million and \$11.6 million for the quarter ended September 30, 2012 and 2011, respectively, and \$27.6 million and \$12.2 million for the nine months ended September 30, 2012 and 2011, respectively. Interest capitalized in 2012 was primarily related to Project Linq, a dining, entertainment, and retail development between our Flamingo and Imperial Palace casinos, on the east side of the Las Vegas Strip.

In March 2012, we halted our development project in Biloxi, Mississippi and recorded a tangible asset impairment on construction in progress of \$167.5 million. In September 2012, we recorded an additional tangible asset impairment of \$13.0 million related to certain land associated with the halted project.

During the second quarter of 2012, we determined that it is more likely than not that we will divest of our investment in a land concession in Macau prior to the end of the remaining 35-year term of the concession. As a result, we performed an impairment assessment on this investment and recorded an impairment charge of \$101.0 million.

Depreciation expense, which is included in depreciation and amortization, corporate expense, and income from discontinued operations in our consolidated condensed statements of comprehensive loss, is as follows:

<u>(In millions)</u>	<u>Quarter Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Depreciation expense	<u>\$188.2</u>	<u>\$187.5</u>	<u>\$571.8</u>	<u>\$550.2</u>

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, 2012.

<u>(In millions)</u>	<u>Amortizing</u>	<u>Non-Amortizing Intangible Assets</u>	
	<u>Intangible Assets</u>	<u>Goodwill</u>	<u>Other</u>
Balance at December 31, 2011	\$ 1,163.7	\$ 3,360.4	\$ 3,199.5
Impairments	—	(247.0)	(192.0)
Additions	—	7.5	—
Amortization expense	(129.6)	—	—
Contribution of ThistleDown to joint venture	—	(20.1)	—
Foreign currency translation	0.3	—	0.8
Balance at September 30, 2012	<u>\$ 1,034.4</u>	<u>\$ 3,100.8</u>	<u>\$ 3,008.3</u>

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

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In the second quarter of 2012, due to weak economic conditions in certain gaming markets in which we operate, we performed an interim assessment of goodwill and other non-amortizing intangible assets for impairment. This analysis resulted in an impairment charge of \$33.0 million related to trademark intangibles. We have completed our preliminary annual assessment of goodwill and other non-amortizing intangible assets as of September 30, 2012, which resulted in impairment charges of \$406.0 million, which is comprised of \$247.0 million related to goodwill, \$127.0 million related to trademarks, and \$32.0 million related to gaming rights. These impairment charges are a result of the combination of an increase in our discount rate, and reduced projected revenues associated with these intangible assets within our long-term operating plan as a result of the current economic climate.

We are not able to finalize our annual impairment assessment until such time as we finalize the Company's 2013 operating plan and certain other assumptions, which we expect to complete during fourth quarter 2012. Changes to the preliminary 2013 operating plan or other assumptions could require us to update our annual impairment assessment, which could result in either a reduction to the charge recorded during the quarter ended September 30, 2012 or in an additional 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 cost of capital, giving appropriate consideration to the prevailing borrowing rates within the casino industry in general. We also evaluated the aggregate fair value of all of our reporting units and other non-operating assets in comparison to our actual market capitalization at September 30, 2012 in connection with the determination of an appropriate discount rate. 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.

The annual evaluation of goodwill and other non-amortizing intangible assets requires the use of estimates about future operating results, valuation multiples, and discount rates to determine their estimated fair value. Changes in these assumptions can materially affect these estimates. Thus, to the extent the economy deteriorates further in the near future, discount rates increase significantly, or we do not meet our projected performance, we could have additional impairments to record in the next twelve months within our financial statements, and such impairments could be material. This is especially true for any of our properties where goodwill and other non-amortizing intangible assets have been partially impaired due to a recent impairment analysis, and for our Las Vegas properties, which have a significant portion of our total remaining goodwill balance.

As discussed in Note 2, "Acquisitions, Investments and Dispositions," we contributed our interests in Thistledown to ROC which included \$20.1 million of goodwill.

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

	September 30, 2012				December 31, 2011		
	Weighted Average Remaining Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
(Dollars in millions)							
Amortizing intangible assets							
Customer relationships	7.3	\$1,456.7	\$ (586.8)	\$ 869.9	\$1,456.7	\$ (492.4)	\$ 964.3
Contract rights	2.2	145.1	(62.9)	82.2	144.4	(52.3)	92.1
Patented technology	3.6	118.9	(67.7)	51.2	118.9	(45.9)	73.0
Gaming rights	11.8	42.8	(12.2)	30.6	42.8	(10.2)	32.6
Trademarks	0.3	7.8	(7.3)	0.5	7.8	(6.1)	1.7
		<u>\$1,771.3</u>	<u>\$ (736.9)</u>	<u>1,034.4</u>	<u>\$1,770.6</u>	<u>\$ (606.9)</u>	<u>1,163.7</u>
Non-amortizing intangible assets							
Trademarks				1,748.9			1,908.7
Gaming rights				1,259.4			1,290.8
				<u>3,008.3</u>			<u>3,199.5</u>
Total intangible assets other than goodwill				<u>\$4,042.7</u>			<u>\$4,363.2</u>

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Note 5—Debt

The following table presents our outstanding debt as of September 30, 2012 and December 31, 2011:

<u>Detail of Debt (dollars in millions)</u>	<u>Final Maturity</u>	<u>Rate(s) at Sept. 30, 2012</u>	<u>Face Value at Sept. 30, 2012</u>	<u>Book Value at Sept. 30, 2012</u>	<u>Book Value at Dec. 31, 2011</u>
Credit Facilities					
Term Loans B1 - B3	2015	3.22%	\$ 1,985.7	\$ 1,985.7	\$ 5,000.5
Term Loan B4	2016	9.50%	972.5	956.1	961.2
Term Loan B5	2018	4.47%	1,222.7	1,218.7	1,218.2
Term Loan B6	2018	5.47%	2,044.9	2,027.9	—
Revolving Credit Facility	2014	—	—	—	155.0
Revolving Credit Facility	2017	—	—	—	—
Secured Debt					
Senior Secured Notes	2017	11.25%	2,095.0	2,058.7	2,054.6
Senior Secured Notes	2020	8.50%	1,250.0	1,250.0	—
Senior Secured Notes	2020 (a)	9.00%	750.0	750.0	—
CMBS Financing	2015 (b)	3.24%	4,829.1	4,825.0	5,026.0
Second-Priority Senior Secured Notes	2018	12.75%	750.0	742.7	742.1
Second-Priority Senior Secured Notes	2018	10.00%	4,553.1	2,224.6	2,131.2
Second-Priority Senior Secured Notes	2015	10.00%	214.8	171.2	164.2
Chester Downs Term Loan	2016	—	—	—	221.3
Chester Downs Senior Secured Notes	2020	9.25%	330.0	330.0	—
PHW Las Vegas Senior Secured Loan	2015 (b)	3.10%	515.6	433.0	417.9
Linq/Octavius Senior Secured Loan	2017	9.25%	450.0	446.3	445.9
Subsidiary-Guaranteed Debt					
Senior Notes	2016	10.75%	478.6	478.6	478.6
Senior PIK Toggle Notes	2018	10.75%/11.5%	9.8	9.8	8.6
Unsecured Senior Debt					
5.375%	2013	5.375%	125.2	114.5	108.6
7.0%	2013	7.00%	0.6	0.6	0.6
5.625%	2015	5.625%	364.5	301.7	287.7
6.5%	2016	6.50%	248.7	198.2	190.6
5.75%	2017	5.75%	147.9	106.6	107.2
Floating Rate Contingent Convertible Senior Notes	2024	0.57%	0.2	0.2	0.2
Other Unsecured Borrowings					
Special Improvement District Bonds	2037	5.30%	64.3	64.3	65.7
Other	Various	Various	28.9	28.9	0.4
Capitalized Lease Obligations	to 2014	1.10%-9.49%	35.2	35.2	13.6
Total Debt			23,467.3	20,758.5	19,799.9
Current Portion of Long-Term Debt ^{(a)(c)}			(800.8)	(797.3)	(40.4)
Long-Term Debt			<u>\$ 22,666.5</u>	<u>\$ 19,961.2</u>	<u>\$ 19,759.5</u>

(a) Represents the note offering that occurred in August 2012. Although the notes mature in 2020, they are classified as short-term obligations within our September 30, 2012 balance sheet because the escrow conditions were not met as of that date.

(b) Assumes the exercise of extension options to move the maturity from 2013 to 2015, subject to certain conditions.

(c) The CMBS Financing is not included in our current portion of long-term debt due to (b) above.

As of September 30, 2012 and December 31, 2011, book values are presented net of unamortized discounts of \$2,708.8 million and \$2,858.0 million, respectively.

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Our current maturities of debt include required interim principal payments on certain Term Loans, the special improvement district bonds and capitalized lease obligations. The current portion of long-term debt also includes \$750.0 million and \$0.6 million of 9.0% senior secured notes and 7.0% unsecured senior debt, respectively. Our current maturities exclude the CMBS financing due in February 2013 based upon the assumed exercise of our option to extend the maturity to 2015.

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 in our 2011 10-K.

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

In March 2012, CEOC amended its Credit Facilities to, among other things, (i) extend the maturity of \$2,731.4 million of B-1, B-2 and B-3 term loans held by consenting lenders from January 28, 2015 to January 28, 2018 and increase the interest rate with respect to such extended term loans (the "Term B-6 Loans"); (ii) convert \$82.3 million of original maturity revolver commitments held by consenting lenders to Term B-6 Loans and promptly following such conversion, repay \$1,095.6 million of B-1, B-2, B-3 and B-6 term loans; (iii) extend the maturity of \$25.0 million original maturity revolver commitments from January 28, 2014 to January 28, 2017 and increase the interest rate and the undrawn commitment fee with respect to such extended revolver commitments and terminate \$6.3 million of original maturity revolver commitments; and (iv) modify certain other provisions of the Credit Facilities. In addition to the foregoing, CEOC may elect to extend and/or convert additional term loans and/or revolver commitments from time to time.

During the second and third quarters of 2012, CEOC extended the maturity on an additional \$123.5 million of B-1, B-2, and B-3 term loans and converted another \$47.3 million of original maturity revolver commitments to Term B-6 Loans.

As of September 30, 2012, our Credit Facilities provide for senior secured financing of up to \$7,296.8 million, consisting of (i) senior secured term loans in an aggregate principal amount of \$6,225.8 million, comprised of \$1,985.7 million maturing on January 28, 2015, \$972.5 million maturing on October 31, 2016, and \$3,267.6 million maturing on January 28, 2018, and (ii) a senior secured revolving credit facility in an aggregate principal amount of up to \$1,071.0 million, with \$1,046.0 million maturing January 28, 2014 and \$25.0 million maturing on January 28, 2017, 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 \$3.7 million, with the balance due at maturity. As of September 30, 2012, \$95.5 million of the revolving credit facility is committed to outstanding letters of credit. After consideration of the letter of credit commitments, \$975.5 million of additional borrowing capacity was available to the Company under its revolving credit facility as of September 30, 2012.

Subsequent to September 30, 2012, CEOC consummated extension transactions with lenders under its Credit Facilities. See Note 16, "Subsequent Events" for further discussion.

CMBS Financing

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

In January 2012, we purchased \$2.0 million of face value of CMBS Loans for \$1.0 million, recognizing a gain of \$1.0 million, net of deferred financing costs. In March 2012, we purchased \$116.7 million of face value of CMBS Loans for \$70.8 million, recognizing a gain of \$44.8 million, net of deferred financing costs. In April 2012, we purchased \$83.7 million of face value of CMBS Loans for \$50.2 million, recognizing a gain of \$32.7 million, net of deferred finance charges.

Other Financing Transactions

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

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

During the second quarter of 2012, a subsidiary of Caesars Entertainment purchased \$5.9 million face value of CEOC debt for \$3.2 million, recognizing a gain of \$1.0 million.

In June 2012, a subsidiary of Caesars Entertainment issued a non-interest bearing promissory note in the amount of \$28.5 million. See Note 7, “Stockholders’ Equity, Non-controlling Interests and Loss Per Share,” for more information.

In August 2012, Caesars Operating Escrow LLC and Caesars Escrow Corporation, wholly-owned unrestricted subsidiaries of CEOC, completed the offering of \$750.0 million aggregate principal amount of 9% senior secured notes due 2020 (the “9% notes”), the proceeds of which were placed into escrow and recorded as short-term restricted cash. On October 5, 2012, the escrow conditions were satisfied and CEOC assumed the 9% notes. CEOC used \$478.8 million of the net proceeds from this transaction to repay a portion of its senior secured term loans under the Credit Facilities in connection with the consummation of the transactions occurring subsequent to September 30, 2012 as further described in Note 16, “Subsequent Events”.

Restrictive Covenants and Other Matters

Certain of our borrowings have covenants and requirements that include, among other things, the maintenance of specific levels of financial ratios. Failure to comply with these covenants can result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions. Specifically, CEOC’s senior secured credit facilities require CEOC to maintain a senior secured leverage ratio of no more than 4.75 to 1.0, which is the ratio of senior first priority secured debt to last twelve months (“LTM”) Adjusted EBITDA-Pro Forma - CEOC Restricted. This ratio excludes up to \$2,200.0 million of first priority senior secured notes and up to \$350.0 million aggregate principal amount of consolidated debt of subsidiaries that are not wholly owned. This ratio also reduces the amount of senior first priority secured debt by the amount of unrestricted cash on hand. As of September 30, 2012, CEOC’s senior secured leverage ratio was 4.02 to 1.0. Many factors affect CEOC’s continuing ability to comply with the covenant including (a) changes in gaming trips, spend per trip and hotel metrics, which are correlated to a consumer recovery, (b) increases in cost-savings actions, (c) asset sales, (d) issuing additional second lien or unsecured debt, (e) equity financings, (f) delays in investments in new developments, or (g) a combination thereof. In addition, under certain circumstances, our senior secured credit facilities allow us to apply cash contributions received by CEOC as an increase to Adjusted EBITDA if CEOC is unable to meet its Senior Secured Leverage Ratio.

In addition, certain covenants contained in CEOC’s senior secured credit facilities and indentures covering its second priority senior secured notes and first priority senior secured notes restrict our ability to take certain actions such as incurring additional debt or making acquisitions if we are unable to meet a fixed charge coverage ratio (LTM Adjusted EBITDA-Pro Forma - CEOC Restricted to fixed charges) of at least 2.0 to 1.0, a total first priority secured leverage ratio (first priority senior secured debt to LTM Adjusted EBITDA-Pro Forma - CEOC Restricted) of no more than 4.5 to 1.0, and/or a consolidated leverage ratio (consolidated total debt to LTM Adjusted EBITDA-Pro Forma - CEOC Restricted) of no more than 7.25 to 1.0. As of September 30, 2012, CEOC’s total first priority secured leverage ratio and consolidated leverage ratio were 5.74 to 1.0 and 11.67 to 1.0, respectively. For the twelve months ended September 30, 2012, CEOC’s LTM Adjusted EBITDA-Pro Forma - CEOC Restricted were insufficient to cover fixed charges by \$570.7 million. For purposes of calculating the fixed charge coverage ratio, fixed charges includes consolidated interest expense less interest income and any cash dividends paid on preferred stock (other than amounts eliminated in consolidation). For purposes of calculating the total first priority secured leverage ratio and the consolidated leverage ratio, the amounts of first priority senior secured debt and consolidated total debt, respectively, are reduced by the amount of unrestricted cash on hand. The covenants that provide for the fixed charge coverage ratio, total first priority secured leverage ratio, and consolidated leverage ratio described in this paragraph are not maintenance covenants.

[Table of Contents](#)**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, 2012, 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, 2012 are as follows:

<u>Effective Date</u>	<u>Notional Amount</u> (In millions)	<u>Fixed Rate Paid</u>	<u>Variable Rate Received as of September 30, 2012</u>	<u>Next Reset Date</u>	<u>Maturity Date</u>
April 25, 2011	\$ 250.0	1.351%	0.217%	October 25, 2012	January 25, 2015
April 25, 2011	250.0	1.347%	0.217%	October 25, 2012	January 25, 2015
April 25, 2011	250.0	1.350%	0.217%	October 25, 2012	January 25, 2015
January 25, 2011	1,000.0	3.068%	0.217%	October 25, 2012	January 25, 2015
April 25, 2011	1,000.0	3.150%	0.217%	October 25, 2012	January 25, 2015
January 25, 2011	1,000.0	3.750%	0.217%	October 25, 2012	January 25, 2015
April 25, 2011	1,000.0	3.264%	0.217%	October 25, 2012	January 25, 2015
January 25, 2011	1,000.0	3.814%	0.217%	October 25, 2012	January 25, 2015

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

On January 18, 2012, the Company amended the terms of three \$1,000.0 million notional value of interest rate swap contracts with a corresponding change in the elected interest rate on \$3,000.0 million of term loans under the Credit Facilities. Effective January 25, 2012 through January 25, 2014, the variable rate received on the swaps changed from three-month to one-month LIBOR and the fixed payment rate was reduced by 16.5 basis points. The table above reflects the amended payment rates.

Derivative Instruments—Interest Rate Cap Agreements

We have 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%. We are amortizing deferred losses from the interest rate cap frozen in accumulated other comprehensive loss (“AOCL”) into income over the original remaining term of the hedged forecasted transactions that are still probable of occurring. For the quarter and nine months ended September 30, 2012, we recorded \$5.2 million and \$15.6 million, respectively, as an increase to interest expense, and we will record an additional \$8.7 million as an increase to interest expense and AOCL through the termination date, all related to deferred losses on the interest rate cap. At September 30, 2012, \$4,650.2 million of the interest rate cap was designated 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.

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

Derivative Instruments—Other

During the second quarter of 2012, the Company entered into a written put option (the “Option”) for certain preferred equity interests. The potential future aggregate cash payments of \$24.3 million as of September 30, 2012 related to the Option may occur from time to time. Based on the structure of this security as a written put option, the obligation for these potential cash payments is not reflected in our consolidated condensed balance sheets. Additionally, the Option is recorded in our consolidated condensed balance sheets at its fair value, which was \$0 as of September 30, 2012.

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Derivative Instruments—Impact on Consolidated Condensed Financial Statements

The following table represents the fair values of derivative instruments in the consolidated condensed balance sheets as of September 30, 2012 and December 31, 2011:

(In millions)	Asset Derivatives				Liability Derivatives			
	September 30, 2012		December 31, 2011		September 30, 2012		December 31, 2011	
	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 caps	Deferred charges and other	\$ —	Deferred charges and other	\$ —				
Derivatives not designated as hedging instruments								
Interest rate swaps					Deferred credits and other	\$ (347.0)	Deferred credits and other	\$ (336.1)
Interest rate caps	Deferred charges and other	*	Deferred charges and other	*				
Total derivatives		<u>\$ *</u>		<u>\$ *</u>		<u>\$ (347.0)</u>		<u>\$ (336.1)</u>

* Amount rounds to zero

The following table represents the effect of derivative instruments in the consolidated condensed statements of comprehensive loss for the quarters ended September 30, 2012 and 2011 for amounts transferred into or out of AOCL:

(In millions)	Amount of (Gain) or Loss Recognized in AOCL (Effective Portion)		Location of (Gain) or Loss Reclassified From AOCL Into Net Loss (Effective Portion)	Amount of (Gain) or Loss Reclassified from AOCL into Net Loss (Effective Portion)		Location of (Gain) or Loss Recognized in Net Loss (Ineffective Portion)	Amount of (Gain) or Loss Recognized in Net Loss (Ineffective Portion)	
	Quarter Ended Sept. 30, 2012	Quarter Ended Sept. 30, 2011		Quarter Ended Sept. 30, 2012	Quarter Ended Sept. 30, 2011		Quarter Ended Sept. 30, 2012	Quarter Ended Sept. 30, 2011
	Derivatives designated as hedging instruments							
Interest rate contracts	\$ —	\$ 72.6	Interest expense	\$ 6.9	\$ 40.5	Interest expense	\$ —	\$ (78.7)

(In millions)	Amount of (Gain) or Loss Recognized in Net Loss		Location of (Gain) or Loss Recognized in Net Loss	Amount of (Gain) or Loss Recognized in Net Loss	
	Quarter Ended Sept. 30, 2012	Quarter Ended Sept. 30, 2011		Quarter Ended Sept. 30, 2012	Quarter Ended Sept. 30, 2011
	Derivatives not designated as hedging instruments				
Interest rate contracts	\$ (6.2)	\$ 6.3	Interest expense		

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The following table represents the effect of derivative instruments in the consolidated condensed statements of comprehensive loss for the nine months ended September 30, 2012 and 2011 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 Net Loss (Effective Portion)	Amount of (Gain) or Loss Reclassified from AOCL into Net Loss (Effective Portion)		Location of (Gain) or Loss Recognized in Net Loss (Ineffective Portion)	Amount of (Gain) or Loss Recognized in Net Loss (Ineffective Portion)	
	(Effective Portion)			(Effective Portion)			(Effective Portion)	
	Nine Months Ended Sept. 30, 2012	Nine Months Ended Sept. 30, 2011		Nine Months Ended Sept. 30, 2012	Nine Months Ended Sept. 30, 2011		Nine Months Ended Sept. 30, 2012	Nine Months Ended Sept. 30, 2011
Derivatives designated as hedging instruments								
Interest rate contracts	\$ —	\$ 74.4	Interest expense	\$ 21.2	\$ 59.8	Interest expense	\$ —	\$ (74.3)

(In millions)	Amount of (Gain) or Loss Recognized in Net Loss		Location of (Gain) or Loss Recognized in Net Loss	Amount of (Gain) or Loss Recognized in Net Loss	
	(Effective Portion)			(Effective Portion)	
	Nine Months Ended Sept. 30, 2012	Nine Months Ended Sept. 30, 2011		Nine Months Ended Sept. 30, 2012	Nine Months Ended Sept. 30, 2011
Derivatives not designated as hedging instruments					
Interest rate contracts	\$ 10.9	\$ 11.9	Interest expense	\$ 10.9	\$ 11.9

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 monthly. This cash settlement portion of the interest rate swap agreements increased interest expense for the quarters and nine months ended September 30, 2012 and 2011 by \$42.6 million and \$41.0 million, and \$126.6 million and \$158.3 million, respectively.

At September 30, 2012, our variable-rate debt, excluding \$5,750.0 million of variable-rate debt hedged using interest rate swap agreements, represents 27% of our total debt, while our fixed-rate debt is 73% of our total debt.

Note 7—Stockholders' Equity, Non-controlling Interests and Loss Per Share

Common Stock

In January 2012, the Company entered into an agreement with certain of its direct and indirect stockholders, pursuant to which the Company, Hamlet Holdings, and entities controlled by the Sponsors released the contractual transfer restrictions on 24.2 million shares of our common stock (the "Released Shares") beneficially owned by certain indirect stockholders (the "Participating Co-Investors"). In consideration for such release, the Participating Co-Investors agreed to contribute 1.8 million shares to the Company (the "Delivered Shares"). The Company agreed to cause the registration for resale (the "Shelf Registration") under the Securities Act of the remaining Released Shares not constituting Delivered Shares (the "Registered Shares") and the listing of the Registered Shares on NASDAQ.

In February 2012, the Company received the Delivered Shares, placed them into its treasury, and offered 1.8 million newly issued shares of its common stock and an underwriters allotment of 271,697 shares, in a public offering, at \$9.00 per share. As a result of the public offering, the Company's common stock trades on the NASDAQ under the symbol "CZR." In connection with this public offering, the Company effected a 1.742-for-one split of its common stock.

The Shelf Registration was filed in February 2012, and, upon its effectiveness, 50% of the Registered Shares became eligible for resale under the Shelf Registration. The remaining 50% of the Registered Shares became eligible for resale in August 2012.

In March 2012, the Company filed a prospectus with the SEC, as part of a registration statement, to sell shares of common stock, up to a maximum aggregate offering price of \$500.0 million. In April 2012, the Company entered into an equity distribution agreement with Citigroup Global Markets Inc. and Credit Suisse Securities (USA) LLC, whereby the Company may issue and sell up to 10.0 million shares of the Company's common stock from time to time. As of September 30, 2012, the Company has sold 15,000 shares with an aggregate offering price of approximately \$216,000.

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Non-controlling Interests

In March 2012, Rock and Caesars Interactive Entertainment Inc. (“CIE”), a majority-owned subsidiary of Caesars, entered into an agreement pursuant to which Rock purchased approximately 6,155 shares of CIE common stock for \$30.4 million in cash and agreed to purchase additional shares of CIE common stock on or before July 2, 2012. In June 2012, CIE and Rock modified the agreement such that CIE issued to Rock approximately 382 shares of CIE common stock and a promissory note for \$28.5 million in exchange for \$30.4 million in cash. The promissory note is convertible into approximately 5,773 shares of CIE common stock upon the satisfaction of certain specified criteria and is classified as long-term debt in our consolidated condensed balance sheet at September 30, 2012. Pursuant to the terms of the original agreement, Rock has the option to purchase approximately 3,140 additional shares of CIE common stock for \$19.2 million in cash, which option must be exercised on or before November 15, 2012.

Loss Per Share

Basic loss per share from continuing operations and discontinued operations is calculated by dividing loss from continuing operations and income from discontinued operations, respectively, net of income taxes, by the weighted-average number of common shares outstanding for each period. Because the Company generated net losses for the quarter and nine months ended September 30, 2012 and 2011, the weighted-average basic shares outstanding was used in calculating diluted loss per share from continuing operations, and diluted earnings per share from discontinued operations, as using diluted shares would be anti-dilutive to loss per share.

The following table shows the number of shares which were excluded from the computation of diluted loss per share for the quarter and nine months ended September 30, 2012 and 2011, as they were anti-dilutive:

<u>(In millions)</u>	<u>Quarter Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Stock options outstanding	8.1	6.8	7.4	5.9
Warrants outstanding	0.4	0.1	0.4	0.1
Total anti-dilutive potential common shares	<u>8.5</u>	<u>6.9</u>	<u>7.8</u>	<u>6.0</u>

Note 8—Stock-Based Compensation

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

<u>(In millions)</u>	<u>Quarter Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Amounts included in:				
Corporate expense	\$ 6.3	\$ 4.1	\$ 20.5	\$ 10.0
Property, general, administrative, and other	3.5	3.3	22.5	7.6
Total stock-based compensation expense	<u>\$ 9.8</u>	<u>\$ 7.4</u>	<u>\$ 43.0</u>	<u>\$ 17.6</u>

During the quarter and nine months ended September 30, 2012, the Company recorded \$2.0 million and \$18.2 million, respectively, of expense related to stock-based awards of its subsidiaries, of which \$1.8 million and \$17.3 million, respectively, related to liability-classified awards that are re-measured to fair value at each reporting date, and \$0.2 million and \$0.9 million, respectively, related to equity-classified awards that are measured at their fair value at the date of grant.

In February 2012, the Company declared a 1.742-for-one stock split in connection with its public offering, and the Board of Directors adopted the 2012 Performance Incentive Plan (the “2012 Incentive Plan”). Directors, employees, officers and consultants or advisors who render services to the Company or its subsidiaries may be selected to receive awards under the 2012 Incentive Plan. Our Board of Directors or a subcommittee thereof has the authority to administer the 2012 Incentive Plan. The 2012 Incentive Plan includes the following limits:

- no more than 6,867,018 shares may be issued with respect to incentive stock options under the 2012 Incentive Plan;
- the maximum number of shares of common stock subject to those options and stock appreciation rights that are granted during any calendar year to any individual under the 2012 Incentive Plan is 3,433,509 shares, prior to consideration of the July 2012 amendment as further described below;
- the maximum number of shares of common stock which may be delivered pursuant to performance-based awards (other than options and stock appreciation rights intended to satisfy the requirements for “performance-based compensation” under Internal Revenue Code Section 162(m), and other than cash awards covered by the cap in the following sentence) that are granted to any one participant in any calendar year will not exceed 1,373,404 shares, either individually or in the aggregate;

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- in addition, the aggregate amount of compensation to be paid to any one participant in respect of all performance-based awards payable only in cash and not related to shares of common stock and granted to that participant in any one calendar year will not exceed \$25.0 million; and
- awards cancelled during the year will be counted against the limits in the preceding two bullets to the extent required by Section 162 (m) of the Internal Revenue Code.

As a result of adopting the 2012 Incentive Plan, options may no longer be granted under the Company's Management Equity Incentive Plan adopted February 27, 2008 (the "2008 Incentive Plan").

During the third quarter of 2012, the Company's stockholders approved (1) an amendment to the 2012 Incentive Plan to increase the maximum number of shares of the Company's common stock with respect to which stock options and stock appreciation rights may be granted during any calendar year to any individual under the 2012 Incentive Plan from 3,433,509 shares to 6,500,000 shares, and (2) a one-time stock option exchange program (the "Option Exchange"), to permit the Company to cancel certain stock options held by some of our employees, service providers and directors in exchange for new, replacement options to purchase an equal number of shares of our common stock (the "Replacement Options").

Options eligible for the Option Exchange (the "Eligible Options") were granted on or prior to February 9, 2012 and had an exercise price equal to or greater than \$20.09 per share. Replacement Options have an exercise price of \$8.22 per share, a ten-year term and a new vesting schedule determined on a grant-by-grant basis, as follows:

- *Vesting of Time-Based Options.* Each Replacement Option granted in exchange for a time-based eligible option will have a new vesting schedule as follows: 20% of the Replacement Options will be immediately vested, with the remainder vesting in four equal installments of 20% each on each of the first four anniversaries of the exchange date.
- *Vesting of Performance-Based Options.* Each Replacement Option granted in exchange for a performance-based eligible option will have a new vesting schedule as follows:
 - With respect to the Eligible Options subject to vesting if funds affiliated with TPG Capital, L.P. (the "TPG Members") and Apollo Global Management, LLC (the "Apollo Members" and together with the TPG Members, the "Sponsors") achieve a return on their investment that is equal to or greater than 1.5x, the Replacement Options granted in exchange for such options will vest on the date that the Company's 30-day trailing average closing common stock price equals or exceeds \$35.00 per share.
 - With respect to the Eligible Options subject to vesting if funds affiliated with the Sponsors achieve a return on their investment that is equal to or greater than 2.0x, the Replacement Options granted in exchange for such options will vest on the date that the Company's 30-day trailing average closing common stock price equals or exceeds \$57.41 per share.
- *Vesting of Loveman Performance-Based Option.* With respect to the Eligible Option to purchase 290,334 shares of the Company's common stock granted on November 29, 2011 to Gary Loveman, the Company's Chairman of the Board, Chief Executive Officer and President, the vesting of which differs from the vesting of the other outstanding performance-based eligible options described above and is eligible to vest if funds affiliated with the Sponsors achieve a return on their investment that is equal to or greater than 1.0x (the "Loveman Performance-Based Option"), the Replacement Option granted in exchange for the Loveman Performance-Based Option will vest on the date that the Company's 30-day trailing average closing common stock price equals or exceeds \$57.41 per share.

As a result of the Option Exchange, additional expense of \$2.2 million was recognized in the third quarter of 2012. An additional \$13.0 million will be recognized in future periods as the Replacement Options vest.

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The following is a summary of share-based option activity, adjusted for the stock split, including options under the 2008 Incentive Plan and 2012 Incentive Plan and warrants to purchase common stock, for the nine months ended September 30, 2012:

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2011	8,744,649	\$ 38.15
Granted	7,992,285	\$ 8.47
Canceled	<u>(8,296,470)</u>	\$ 31.35
Outstanding at September 30, 2012	<u>8,440,464</u>	\$ 10.71
Vested and expected to vest at September 30, 2012	<u>7,033,200</u>	\$ 10.71
Exercisable at September 30, 2012	<u>1,404,145</u>	\$ 10.69

Note 9—Write-downs, Reserves, and Project Opening Costs, net of Recoveries

Write-downs, reserves, and project opening costs, net of recoveries include project opening costs and various pre-tax charges to record contingent liability reserves, costs associated with efficiency projects, project write-offs, demolition costs, and other non-routine transactions, net of recoveries of previously recorded non-routine reserves.

The components of write-downs, reserves, and project opening costs, net of recoveries are as follows:

(In millions)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Write-downs and reserves, net of recoveries:				
Divestitures and abandonments	\$ 28.1	\$ 4.2	\$ 42.7	\$ 3.9
Remediation costs	6.4	1.7	12.4	9.4
Efficiency projects	1.8	10.6	9.6	36.1
Gain on Thistledown contribution	(11.0)	—	(11.0)	—
Other	4.5	(4.0)	5.0	6.4
Total write-downs and reserves, net of recoveries	<u>29.8</u>	<u>12.5</u>	<u>58.7</u>	<u>55.8</u>
Project opening costs	<u>2.8</u>	<u>—</u>	<u>4.7</u>	<u>4.2</u>
Total write-downs, reserves, and project opening costs, net of recoveries	<u>\$ 32.6</u>	<u>\$ 12.5</u>	<u>\$ 63.4</u>	<u>\$ 60.0</u>

Divestitures and abandonments include (gains)/losses on divested or abandoned assets and costs associated with various projects that are determined to no longer be viable. For the quarter and nine months ended September 30, 2012, divestitures and abandonments include charges of \$20.2 million and \$24.7 million, respectively, related to a previously halted development project in Biloxi, Mississippi.

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 streamlining corporate and operating functions to achieve cost savings and efficiencies, such as Project Renewal, an initiative designed to reinvent certain aspects of the Company's functional and operating units to gain significant further cost reductions and streamline its operations.

As previously discussed in Note 2, "Acquisitions, Investments and Dispositions," the Company divested of its Thistledown property recognizing an \$11.0 million gain on the transaction.

Other includes contingent liability reserves, demolition costs, and other non-routine transactions.

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Note 10—Income Taxes

Total income taxes were allocated as follows:

(In millions)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Income tax benefit on loss before income taxes	\$225.5	\$77.7	\$502.9	\$271.2
Income tax expense on discontinued operations	(1.8)	(7.2)	(18.0)	(22.7)
Accumulated other comprehensive loss	(4.1)	14.2	(8.7)	14.0
Goodwill	—	(5.3)	—	(5.3)
Accumulated deficit	—	—	—	(6.0)
Additional paid-in capital	2.1	—	2.1	—

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 resulting from uncertain tax positions as well as potential interest or penalties associated with those liabilities.

The effective tax rate for the quarter and nine months ended September 30, 2012 was 30.8% and 32.3%, respectively. The primary cause for the diversion from the federal statutory rate of 35% is the negative impact of nondeductible goodwill impairments.

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 was appealed. In the quarter ended June 30, 2012, the issue was settled resulting in a reduction of our net operating loss carryforwards of approximately \$5 million. In connection with the settlement, the total amount of unrecognized tax benefits (“UTB”) decreased by \$72.2 million. The decrease in UTB did not impact the Company’s effective tax rate.

Note 11—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, 2012 and December 31, 2011:

(In millions)	Balance	Level 1	Level 2	Level 3
September 30, 2012				
Assets:				
Investments	\$ 117.8	\$117.0	\$ 0.8	\$ —
Derivative instruments	*	—	*	—
Liabilities:				
Derivative instruments	(347.0)	—	(347.0)	—
December 31, 2011				
Assets:				
Investments	\$ 108.4	\$106.9	\$ 1.5	\$ —
Derivative instruments	*	—	*	—
Liabilities:				
Derivative instruments	(336.1)	—	(336.1)	—

* Amount rounds to zero

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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, 2012</u>	<u>December 31, 2011</u>
Corporate bonds	\$ 0.8	\$ 1.5
Equity securities	2.9	2.4
Government bonds	112.1	102.5
Other liquid investments	2.0	2.0
Total investments	<u>\$ 117.8</u>	<u>\$ 108.4</u>

Gross unrealized gains and losses on marketable securities at September 30, 2012 and December 31, 2011 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. 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 Measured at Fair Value on a Non-recurring Basis

The following table shows the fair value of our assets that are required to be measured at fair value as of September 30, 2012 and the total impairment recorded on these assets during the three months ended September 30, 2012:

<u>(In millions)</u>	<u>Balance</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Impairment</u>
September 30, 2012					
Assets:					
Intangible and tangible assets	\$1,647.1	\$ —	\$ —	\$1,647.1	\$ (419.0)

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

Intangible and tangible assets – Market and income approaches were used to value the intangible and tangible assets in accordance with the provisions of FASB Codification Subtopic 350, *Intangibles — Goodwill and Other*; and Subtopic 360, *Property, Plant, and Equipment*. Inputs included an expected range of market values, probabilities made by management that each value could be achieved, expected cash flows, recent comparable transactions, discounted cash flows, discount rate, royalty rate, growth rate, and tax rate. See Note 4, “Goodwill and Other Intangible Assets,” for further discussion regarding the valuation of our intangible assets.

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, 2012, for debt with similar terms and maturities, and based on market quotes of our publicly traded debt. As of September 30, 2012, the Company’s outstanding debt had a fair value of \$19,672.1 million and a carrying value of \$20,758.5 million.

Note 12—Litigation, Contractual Commitments and Contingent Liabilities

Litigation

The Supreme Court of Nevada decided in early 2008 that food purchased for subsequent use in the provision of complimentary and/or employee meals is exempt from use tax. Previously, such purchases were subject to use tax and the Company has claimed, but not recognized into earnings, a use tax refund totaling \$32.2 million, plus interest, as a result of the 2008 decision. In early 2009, the Nevada Department of Taxation (“Department”) audited our refund claim, but has taken the position that those same purchases are now subject to sales tax; therefore, they subsequently issued a sales tax assessment totaling \$27.4 million plus interest after application of our refund on use tax.

On October 21, 2010, the administrative law judge (“ALJ”) issued a decision and ruled in our favor on a number of key issues. Although both the Company and the Nevada Department of Taxation filed an appeal of the decision with the Nevada Tax Commission (“Commission”), the case was returned to the ALJ for further factual development. The ALJ issued a second decision on March 8, 2012, reversing her previous, partially favorable ruling relating to the taxability of complimentary employee meals and affirmed the taxability of complimentary meals but limited the entire sales tax assessment to the amount of the Company’s use tax refund claims resulting in no use tax refund awarded but no sales tax amounts due. The ALJ decision was affirmed in the Commission hearing on June 25, 2012 and the Commission’s final decision was issued on July 31, 2012. We filed a petition for judicial review with the District Court on August 7, 2012.

Subsequent to the written Commission decision issued in February for another gaming company, the Department has issued draft regulations requiring the collection of sales tax on the retail value of complimentary meals and the cost of employee meals. Although the Commission approved the regulation on June 25, 2012, there are several additional approvals required, including by the Legislative Commission, before the regulation is finalized. On June 6, 2012, the Department issued additional guidance regarding the payment of sales tax on complimentary and employee meals, maintaining that meals are taxable as of February 15, 2012 but that the payment of the tax is due, without penalty or interest, at the earlier of (a) one month after approval of the regulation by the Legislative Commission, (b) one month after a Nevada Supreme Court decision, (c) the effective date of any legislation or (d) June 30, 2013. The Department stated that it provided this additional guidance regarding the deferral of payment requirements because the Legislative Commission has not had the opportunity to approve the regulation and because there are several ongoing appeals that have not been heard by the Tax Commission and the Nevada Supreme Court.

Due to uncertainty regarding the ultimate outcome of our pending litigation and/or the final approval and form of the pending regulation, we continue to record certain reserves against loss on this matter.

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, results of operations, or cash flows.

Contractual Commitments and Contingent Liabilities

Material changes to our aggregate indebtedness are described in Note 5, “Debt.” At September 30, 2012, our estimated interest payments for the years ended December 31, 2012 through 2016 are approximately \$441 million, \$1,770 million, \$1,774 million, \$1,397 million, and \$1,228 million, respectively, and our estimated interest payments thereafter are approximately \$1,783 million.

There have been no material changes of our other known contractual obligations or contingent liabilities to those set forth in our 2011 10-K.

[Table of Contents](#)**Note 13—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 comprehensive loss, to cash paid for interest:

<u>(In millions)</u>	<u>Nine Months Ended September 30,</u>	
	<u>2012</u>	<u>2011</u>
Interest expense, net of interest capitalized	\$ 1,574.3	\$ 1,448.3
Adjustments to reconcile to cash paid for interest:		
Net change in accruals	(138.7)	(201.8)
Amortization of deferred finance charges	(66.5)	(54.0)
Net amortization of discounts and premiums	(166.2)	(122.2)
Amortization of accumulated other comprehensive loss	(21.2)	(60.6)
Rollover of PIK interest to principal	(1.0)	(1.1)
Change in fair value of derivative instruments	(10.9)	62.4
Cash paid for interest	<u>\$ 1,169.8</u>	<u>\$ 1,071.0</u>
Cash payments/(refunds) of income taxes, net	<u>\$ 9.1</u>	<u>\$ (2.4)</u>

Significant non-cash transactions during the nine months ended September 30, 2012 include a contribution of 1.8 million shares by the Participating Co-Investors, as further described in Note 7, “Stockholders’ Equity, Non-controlling Interests and Loss Per Share,” non-cash intangible asset impairments of \$439.0 million, as further described in Note 4, “Goodwill and Other Intangible Assets,” and non-cash impairment charges on tangible assets of \$281.5 million, as further described in Note 3, “Property and Equipment, net.”

Note 14—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 comprehensive loss, were \$7.5 million in each of the quarters ended September 30, 2012 and 2011 and \$22.5 million for each of the nine-month periods ended September 30, 2012 and 2011. We also reimburse the Sponsors for expenses that they incur related to their management services.

Note 15—Recent Accounting Pronouncements

Effective January 1, 2012, we adopted the updated guidance related to fair value measurement and disclosure requirements. The changes result in common fair value measurement and disclosure requirements between 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. This new guidance did not have any impact on our consolidated financial position, results of operations, or cash flows.

Effective January 1, 2012, we adopted the 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. As this is a presentation and disclosure requirement, there was no impact on our consolidated financial position, results of operations, or cash flows upon adoption.

Effective January 1, 2012, we adopted the revised guidance for goodwill impairment testing. The new guidance allows an entity to perform a qualitative assessment on goodwill to determine whether it is more likely than not 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. In July 2012, the guidance was amended to include assessments for indefinite-lived intangible assets. The Company adopted the amended guidance in the second quarter of 2012 as permitted under the amendment.

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Note 16—Subsequent Events

Sale of Harrah's St Louis Casino

As disclosed in Note 2, "Acquisitions, Investments and Dispositions," the Company entered into an agreement to sell its Harrah's St. Louis casino to Penn for \$610.0 million. The sale closed on November 2, 2012 and the Company expects to record any gain or loss on the transaction in the fourth quarter of 2012.

9% Notes

In August 2012, Caesars Operating Escrow LLC and Caesars Escrow Corporation, wholly-owned unrestricted subsidiaries of CEOC, completed the offering of the 9% Notes, the proceeds of which were placed into escrow and recorded as restricted cash. On October 5, 2012, the escrow conditions were satisfied and CEOC assumed the 9% notes. CEOC used \$478.8 million of the net proceeds from this transaction to repay a portion of its senior secured term loans under the Credit Facilities in connection with the extension transactions occurring subsequent to September 30, 2012 as described in "Extension Transactions Under the Credit Facility" below.

Extension Transactions Under the Credit Facility

On October 5, 2012, CEOC consummated extension transactions with lenders under its Credit Facilities pursuant to which CEOC (i) extended the maturity of \$957.5 million aggregate principal amount of B-1, B-2 and B-3 term loans held by consenting lenders from January 28, 2015 to January 28, 2018, which are new B-6 term loans; (ii) converted \$276.6 million aggregate principal amount of original maturity revolver commitments held by consenting lenders to B-6 term loans; and (iii) extended the maturity of \$12.2 million aggregate principal amount of original maturity revolver commitments held by consenting lenders who elected not to convert their commitments to term loans, from January 28, 2014 to January 28, 2017 and increased the interest rate and the undrawn commitment fee with respect to such extended revolver commitments. The Term B-6 Loans have a springing maturity to April 14, 2017 if more than \$250.0 million of CEOC's 11.25% Senior Secured Notes due 2017 remain outstanding on April 14, 2017. As a result of these transactions, CEOC repaid \$478.8 million principal amount of term loans of extending lenders and terminated \$144.4 million principal amount of revolving commitments of extending lenders.

On October 29, 2012, CEOC consummated extension transactions under its Credit Facilities pursuant to which CEOC converted \$150.0 million aggregate principal amount of original maturity revolver commitments held by consenting lenders to B-6 term loans. As a result of these transactions, CEOC repaid \$75.0 million principal amount of term loans of extending lenders, terminated \$150.0 million principal amount of revolving commitments of extending lenders, and increased the amount of outstanding B-6 term loans by \$75.0 million. In addition to the foregoing, CEOC may elect to extend and/or convert additional term loans and/or revolver commitments from time to time.

After taking into account the extensions, repayments and commitment reductions described above, there was \$2,738.9 million face value of B-6 term loans outstanding, \$1,026.4 million face value of B-1, B-2 and B-3 term loans outstanding with a maturity of January 28, 2015, \$607.1 million of revolving commitments outstanding with a maturity of January 28, 2014 and \$31.1 million of revolving commitments outstanding with a maturity of January 28, 2017.

Baltimore, Maryland

In July 2012, a consortium led by the Company was awarded the license to operate a casino in downtown Baltimore. In October 2012, Caesars entered into definitive agreements with investors associated with Rock Gaming, The Stronach Group, Caves Valley Partners and Brown Capital Management to form a joint venture that will build and own the casino. Subject to regulatory approvals and receipt of project financing, Caesars expects to begin construction of the casino in the first half of 2013 and to open the casino to the public in the middle of 2014. Pursuant to such definitive agreements, we committed to contribute a maximum of \$78.0 million in capital to the joint venture, \$12.0 million of which has previously been contributed, for the purpose of developing and constructing the casino. Caesars has an approximately 52% ownership interest in the joint venture, which is a consolidated subsidiary.

Bill's Gamblin' Hall and Saloon Conversion Financing

In November 2012, the Company entered into a \$185.0 million, seven year senior secured credit facility bearing interest at LIBOR plus 9.75% with a LIBOR floor of 1.25% to fund the conversion of Bill's Gamblin' Hall & Saloon into a boutique lifestyle hotel that includes a dayclub/nightclub. The conversion will include a complete remodeling of the guest rooms, casino floor, and common areas, the addition of a second floor restaurant, and the construction of an approximately 65,000 square foot rooftop pool and dayclub/nightclub. The Company will own the property and manage the casino, hotel, and food and beverage operations, and the dayclub/nightclub will be leased to a third party. The renovated hotel, casino, and restaurant are expected to open in December 2013 and the dayclub/nightclub is expected to open in April 2014.

Note 17—Consolidating Financial Information of Guarantors and Issuers

CEOC is the issuer of certain registered debt securities, a portion of which is guaranteed by Caesars Entertainment ("Parent-Only Guaranteed Debt") and a portion of which is guaranteed by both Caesars Entertainment and certain wholly-owned subsidiaries of CEOC ("Parent and Subsidiary Guaranteed Debt"). The table below presents the condensed consolidating financial information relevant to these two guarantee structures as of September 30, 2012, and December 31, 2011, and for the quarters and nine months ended September 30, 2012 and 2011. The CEC (parent guarantor), subsidiary issuer, and subsidiary non-guarantors of parent-only guaranteed debt columns represent the information related to the Parent-Only Guaranteed Debt structure. The CEC (parent guarantor), subsidiary issuer, subsidiary guarantors of parent and subsidiary guaranteed debt, and subsidiary non-guarantors of parent and subsidiary guaranteed debt columns represent the information related to the Parent and Subsidiary Guaranteed Debt structure.

In lieu of providing separate unaudited financial statements for the guarantor subsidiaries, we have included the accompanying condensed consolidating financial statements based on Rule 3-10 of the SEC'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.

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

CONDENSED CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2012
(In millions)

	CEC (Parent Guarantor)	Subsidiary Issuer	Subsidiary Guarantors of Parent and Subsidiary Guaranteed Debt (a)	Subsidiary Non-Guarantors of Parent and Subsidiary Guaranteed Debt (b)	Subsidiary Non-Guarantors of Parent-Only Guaranteed Debt (a) + (b)	Consolidating/ Eliminating Adjustments	Total
Assets							
Cash and cash equivalents	\$ 19.3	\$ 430.0	\$ 289.8	\$ 450.3	\$ 740.1	\$ —	\$ 1,189.4
Restricted cash	—	—	—	799.4	799.4	—	799.4
Assets held for sale	—	—	9.7	—	9.7	—	9.7
Other current assets	29.8	339.7	680.0	399.5	1,079.5	(567.7)	881.3
Property and equipment, net	—	192.8	9,084.2	7,311.6	16,395.8	—	16,588.6
Goodwill	—	—	1,279.2	1,821.6	3,100.8	—	3,100.8
Intangible assets other than goodwill	—	4.4	3,259.4	778.9	4,038.3	—	4,042.7
Investments in subsidiaries	—	12,440.2	759.7	899.7	1,659.4	(14,099.6)	—
Restricted cash	—	—	—	269.3	269.3	—	269.3
Intercompany receivables	660.1	1,088.3	585.9	153.6	739.5	(2,487.9)	—
Assets held for sale	—	—	592.3	—	592.3	—	592.3
Other long-term assets	0.6	317.4	178.2	373.2	551.4	—	869.4
	<u>\$ 709.8</u>	<u>\$14,812.8</u>	<u>\$ 16,718.4</u>	<u>\$ 13,257.1</u>	<u>\$ 29,975.5</u>	<u>\$ (17,155.2)</u>	<u>\$28,342.9</u>
Liabilities and Stockholders' Equity/(Deficit)							
Interest payable	\$ —	\$ 326.3	\$ 1.7	\$ 20.7	\$ 22.4	\$ —	\$ 348.7
Current portion of long-term debt	—	11.9	21.9	763.5	785.4	—	797.3
Liabilities held for sale	—	—	8.2	—	8.2	—	8.2
Other current liabilities	33.9	398.6	816.9	789.4	1,606.3	(567.7)	1,471.1
Long-term debt	—	14,733.7	52.5	6,074.8	6,127.3	(899.8)	19,961.2
Accumulated losses of subsidiaries in excess of investment	587.5	—	—	—	—	(587.5)	—
Deferred credits and other	—	611.5	161.0	119.6	280.6	—	892.1
Deferred income taxes	—	376.6	2,427.3	1,945.7	4,373.0	—	4,749.6
Intercompany payables	55.0	714.4	871.7	846.8	1,718.5	(2,487.9)	—
	<u>676.4</u>	<u>17,173.0</u>	<u>4,361.2</u>	<u>10,560.5</u>	<u>14,921.7</u>	<u>(4,542.9)</u>	<u>28,228.2</u>
Total Caesars stockholders' equity/(deficit)	33.4	(2,360.2)	12,357.2	2,615.3	14,972.5	(12,612.3)	33.4
Non-controlling interests	—	—	—	81.3	81.3	—	81.3
Total equity/(deficit)	<u>33.4</u>	<u>(2,360.2)</u>	<u>12,357.2</u>	<u>2,696.6</u>	<u>15,053.8</u>	<u>(12,612.3)</u>	<u>114.7</u>
	<u>\$ 709.8</u>	<u>\$14,812.8</u>	<u>\$ 16,718.4</u>	<u>\$ 13,257.1</u>	<u>\$ 29,975.5</u>	<u>\$ (17,155.2)</u>	<u>\$28,342.9</u>

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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

	CEC (Parent Guarantor)	Subsidiary Issuer	Subsidiary Guarantors of Parent and Subsidiary Guaranteed Debt (a)	Subsidiary Non-Guarantors of Parent and Subsidiary Guaranteed Debt (b)	Subsidiary Non-Guarantors of Parent-Only Guaranteed Debt (a) + (b)	Consolidating/ Eliminating Adjustments	Total
Assets							
Cash and cash equivalents	\$ 3.9	\$ 16.6	\$ 372.5	\$ 501.6	\$ 874.1	\$ —	\$ 894.6
Assets held for sale	—	—	11.6	—	11.6	—	11.6
Other current assets	15.7	322.4	672.1	418.5	1,090.6	(497.7)	931.0
Property and equipment, net	—	205.6	9,499.8	7,364.5	16,864.3	—	17,069.9
Goodwill	—	—	1,526.2	1,834.2	3,360.4	—	3,360.4
Intangible assets other than goodwill	—	4.9	3,524.2	834.1	4,358.3	—	4,363.2
Investments in subsidiaries	535.8	13,568.0	886.8	882.9	1,769.7	(15,873.5)	—
Restricted cash	—	—	—	451.1	451.1	—	451.1
Intercompany receivables	469.0	1,102.8	586.0	98.7	684.7	(2,256.5)	—
Assets held for sale	—	—	593.4	—	593.4	—	593.4
Other long-term assets	5.0	324.9	187.1	323.4	510.5	—	840.4
	<u>\$ 1,029.4</u>	<u>\$ 15,545.2</u>	<u>\$ 17,859.7</u>	<u>\$ 12,709.0</u>	<u>\$ 30,568.7</u>	<u>\$ (18,627.7)</u>	<u>\$ 28,515.6</u>
Liabilities and Stockholders' Equity/(Deficit)							
Interest payable	\$ —	\$ 174.0	\$ 0.8	\$ 16.6	\$ 17.4	\$ —	\$ 191.4
Current portion of long-term debt	—	20.2	7.0	13.2	20.2	—	40.4
Liabilities held for sale	—	—	10.1	—	10.1	—	10.1
Other current liabilities	22.7	303.5	830.4	702.0	1,532.4	(497.7)	1,360.9
Long-term debt	—	14,446.3	69.8	6,100.7	6,170.5	(857.3)	19,759.5
Deferred credits and other	—	612.5	166.0	123.3	289.3	—	901.8
Deferred income taxes	—	647.7	2,558.8	1,991.6	4,550.4	—	5,198.1
Intercompany payables	—	420.2	871.7	964.6	1,836.3	(2,256.5)	—
	<u>22.7</u>	<u>16,624.4</u>	<u>4,514.6</u>	<u>9,912.0</u>	<u>14,426.6</u>	<u>(3,611.5)</u>	<u>27,462.2</u>
Total Caesars stockholders' equity/(deficit)	1,006.7	(1,079.2)	13,345.1	2,750.3	16,095.4	(15,016.2)	1,006.7
Non-controlling interests	—	—	—	46.7	46.7	—	46.7
Total equity/(deficit)	<u>1,006.7</u>	<u>(1,079.2)</u>	<u>13,345.1</u>	<u>2,797.0</u>	<u>16,142.1</u>	<u>(15,016.2)</u>	<u>1,053.4</u>
	<u>\$ 1,029.4</u>	<u>\$ 15,545.2</u>	<u>\$ 17,859.7</u>	<u>\$ 12,709.0</u>	<u>\$ 30,568.7</u>	<u>\$ (18,627.7)</u>	<u>\$ 28,515.6</u>

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME/(LOSS)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012
(In millions)

	CEC (Parent Guarantor)	Subsidiary Issuer	Subsidiary Guarantors of Parent and Subsidiary Guaranteed Debt (a)	Subsidiary Non-Guarantors of Parent and Subsidiary Guaranteed Debt (b)	Subsidiary Non-Guarantors of Parent-Only Guaranteed Debt (a) + (b)	Consolidating/ Eliminating Adjustments	Total
Net revenues	\$ —	\$ 29.4	\$ 1,275.0	\$ 939.5	\$ 2,214.5	\$ (45.5)	\$2,198.4
Direct operating expenses	—	12.1	681.2	454.3	1,135.5	—	1,147.6
Property, general, administrative, and other	—	—	297.8	283.1	580.9	(37.7)	543.2
Depreciation and amortization	—	1.7	112.4	67.9	180.3	—	182.0
Intangible and tangible asset impairment charges	—	—	416.0	3.0	419.0	—	419.0
Loss/(income) on interests in subsidiaries	503.9	224.0	(4.1)	—	(4.1)	(723.8)	—
Corporate expense	6.4	34.9	8.1	10.2	18.3	(7.8)	51.8
Other operating expenses	—	1.3	58.6	15.5	74.1	—	75.4
Total operating expenses	510.3	274.0	1,570.0	834.0	2,404.0	(769.3)	2,419.0
(Loss)/income from operations	(510.3)	(244.6)	(295.0)	105.5	(189.5)	723.8	(220.6)
Interest expense, net of interest capitalized	(0.4)	(482.0)	(7.2)	(76.8)	(84.0)	50.7	(515.7)
Other income, including interest income	4.3	10.7	5.3	35.0	40.3	(50.7)	4.6
(Loss)/income from continuing operations before income taxes	(506.4)	(715.9)	(296.9)	63.7	(233.2)	723.8	(731.7)
Benefit/(provision) for income taxes	0.9	171.0	57.5	(4.9)	52.6	1.0	225.5
Net (loss)/income from continuing operations, net of taxes	(505.5)	(544.9)	(239.4)	58.8	(180.6)	724.8	(506.2)
Discontinued operations							
Income from discontinued operations	—	—	4.6	—	4.6	—	4.6
Provision for income taxes	—	—	(0.8)	—	(0.8)	(1.0)	(1.8)
Income from discontinued operations, net of income taxes	—	—	3.8	—	3.8	(1.0)	2.8
Net (loss)/income	(505.5)	(544.9)	(235.6)	58.8	(176.8)	723.8	(503.4)
Less: net loss attributable to non-controlling interests	—	—	—	(2.1)	(2.1)	—	(2.1)
Net (loss)/income attributable to Caesars	(505.5)	(544.9)	(235.6)	56.7	(178.9)	723.8	(505.5)
Other comprehensive income/(loss):							
Total other comprehensive income/(loss), net of income taxes	—	6.8	—	(8.3)	(8.3)	—	(1.5)
Less: foreign currency translation adjustments attributable to non-controlling interests	—	—	—	0.2	0.2	—	0.2
Comprehensive (loss)/income attributable to Caesars	<u>\$ (505.5)</u>	<u>\$ (538.1)</u>	<u>\$ (235.6)</u>	<u>\$ 48.6</u>	<u>\$ (187.0)</u>	<u>\$ 723.8</u>	<u>\$ (506.8)</u>

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME/(LOSS)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011
(In millions)

	CEC (Parent Guarantor)	Subsidiary Issuer	Subsidiary Guarantors of Parent and Subsidiary Guaranteed Debt (a)	Subsidiary Non-Guarantors of Parent and Subsidiary Guaranteed Debt (b)	Subsidiary Non-Guarantors of Parent-Only Guaranteed Debt (a) + (b)	Consolidating/ Eliminating Adjustments	Total
Net revenues	\$ —	\$ 29.0	\$ 1,316.2	\$ 893.7	\$ 2,209.9	\$ (49.2)	\$2,189.7
Direct operating expenses	—	13.4	700.0	457.7	1,157.7	—	1,171.1
Property, general, administrative, and other	—	12.6	327.3	239.3	566.6	(34.9)	544.3
Depreciation and amortization	—	1.7	106.0	69.1	175.1	—	176.8
Intangible and tangible asset impairment charges	—	—	—	27.1	27.1	—	27.1
Write-downs, reserves, and project opening costs, net of recoveries	—	10.6	4.3	(2.4)	1.9	—	12.5
Loss/(income) on interests in subsidiaries	161.7	(87.4)	(11.5)	—	(11.5)	(62.8)	—
Corporate expense	7.0	20.0	7.2	16.6	23.8	(14.3)	36.5
Other operating expenses	(0.2)	0.3	24.4	17.1	41.5	—	41.6
Total operating expenses	168.5	(28.8)	1,157.7	824.5	1,982.2	(112.0)	2,009.9
(Loss)/income from operations	(168.5)	57.8	158.5	69.2	227.7	62.8	179.8
Interest expense, net of interest capitalized	—	(413.5)	(7.3)	(74.1)	(81.4)	44.6	(450.3)
Other income, including interest income	3.3	14.3	3.8	31.4	35.2	(44.6)	8.2
(Loss)/income from continuing operations before income taxes	(165.2)	(341.4)	155.0	26.5	181.5	62.8	(262.3)
Benefit/(provision) for income taxes	1.2	148.2	(58.7)	(16.9)	(75.6)	3.9	77.7
Net (loss)/income from continuing operations, net of taxes	(164.0)	(193.2)	96.3	9.6	105.9	66.7	(184.6)
Discontinued operations							
Income from discontinued operations	—	—	18.4	—	18.4	—	18.4
Provision for income taxes	—	—	(3.3)	—	(3.3)	(3.9)	(7.2)
Income from discontinued operations, net of income taxes	—	—	15.1	—	15.1	(3.9)	11.2
Net (loss)/income	(164.0)	(193.2)	111.4	9.6	121.0	62.8	(173.4)
Less: net income attributable to non-controlling interests	—	—	—	9.4	9.4	—	9.4
Net (loss)/income attributable to Caesars	(164.0)	(193.2)	111.4	19.0	130.4	62.8	(164.0)
Other comprehensive loss:							
Total other comprehensive loss, net of income taxes	—	(27.6)	—	(3.0)	(3.0)	—	(30.6)
Less: foreign currency translation adjustments attributable to non-controlling interests	—	—	—	(0.2)	(0.2)	—	(0.2)
Comprehensive (loss)/income attributable to Caesars	\$ (164.0)	\$ (220.8)	\$ 111.4	\$ 15.8	\$ 127.2	\$ 62.8	\$ (194.8)

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME/(LOSS)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012
(In millions)

	CEC (Parent Guarantor)	Subsidiary Issuer	Subsidiary Guarantors of Parent and Subsidiary Guaranteed Debt (a)	Subsidiary Non-Guarantors of Parent and Subsidiary Guaranteed Debt (b)	Subsidiary Non-Guarantors of Parent-Only Guaranteed Debt (a) + (b)	Consolidating/ Eliminating Adjustments	Total
Net revenues	\$ —	\$ 83.0	\$ 3,832.8	\$ 2,800.6	\$ 6,633.4	\$ (143.9)	\$ 6,572.5
Direct operating expenses	—	33.9	2,053.2	1,373.5	3,426.7	—	3,460.6
Property, general, administrative, and other	—	12.2	872.6	812.1	1,684.7	(119.0)	1,577.9
Depreciation and amortization	—	5.1	330.8	210.7	541.5	—	546.6
Intangible and tangible asset impairment charges	—	—	616.5	104.0	720.5	—	720.5
Loss/(income) on interests in subsidiaries	1,024.2	219.0	0.8	—	0.8	(1,244.0)	—
Corporate expense	18.5	98.4	21.9	31.3	53.2	(24.9)	145.2
Other operating expenses	—	6.9	124.8	72.3	197.1	—	204.0
Total operating expenses	1,042.7	375.5	4,020.6	2,603.9	6,624.5	(1,387.9)	6,654.8
(Loss)/income from operations	(1,042.7)	(292.5)	(187.8)	196.7	8.9	1,244.0	(82.3)
Interest expense, net of interest capitalized	(0.4)	(1,452.9)	(21.8)	(248.7)	(270.5)	149.5	(1,574.3)
Gains on early extinguishments of debt	—	—	—	79.5	79.5	—	79.5
Other income, including interest income	13.3	40.0	16.1	99.5	115.6	(149.5)	19.4
(Loss)/income from continuing operations before income taxes	(1,029.8)	(1,705.4)	(193.5)	127.0	(66.5)	1,244.0	(1,557.7)
Benefit/(provision) for income taxes	2.0	525.1	18.2	(52.1)	(33.9)	9.7	502.9
Net (loss)/income from continuing operations, net of taxes	(1,027.8)	(1,180.3)	(175.3)	74.9	(100.4)	1,253.7	(1,054.8)
Discontinued operations							
Income from discontinued operations	—	—	46.5	—	46.5	—	46.5
Provision for income taxes	—	—	(8.3)	—	(8.3)	(9.7)	(18.0)
Income from discontinued operations, net of income taxes	—	—	38.2	—	38.2	(9.7)	28.5
Net (loss)/income	(1,027.8)	(1,180.3)	(137.1)	74.9	(62.2)	1,244.0	(1,026.3)
Less: net loss attributable to non-controlling interests	—	—	—	(1.5)	(1.5)	—	(1.5)
Net (loss)/income attributable to Caesars	(1,027.8)	(1,180.3)	(137.1)	73.4	(63.7)	1,244.0	(1,027.8)
Other comprehensive (loss)/income:							
Total other comprehensive (loss)/income, net of income taxes	—	(19.0)	—	29.7	29.7	—	10.7
Less: foreign currency translation adjustments attributable to non-controlling interests	—	—	—	(1.3)	(1.3)	—	(1.3)
Comprehensive (loss)/income attributable to Caesars	\$(1,027.8)	\$(1,199.3)	\$ (137.1)	\$ 101.8	\$ (35.3)	\$ 1,244.0	\$(1,018.4)

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME/(LOSS)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011
(In millions)

	CEC (Parent Guarantor)	Subsidiary Issuer	Subsidiary Guarantors of Parent and Subsidiary Guaranteed Debt (a)	Subsidiary Non-Guarantors of Parent and Subsidiary Guaranteed Debt (b)	Subsidiary Non-Guarantors of Parent-Only Guaranteed Debt (a) + (b)	Consolidating/ Eliminating Adjustments	Total
Net revenues	\$ —	\$ 92.3	\$ 3,884.4	\$ 2,649.6	\$ 6,534.0	\$ (158.8)	\$ 6,467.5
Direct operating expenses	—	38.4	2,058.1	1,346.8	3,404.9	—	3,443.3
Property, general, administrative, and other	—	40.0	939.5	696.5	1,636.0	(104.1)	1,571.9
Depreciation and amortization	—	5.1	320.1	193.4	513.5	—	518.6
Intangible and tangible asset impairment charges	—	—	—	27.1	27.1	—	27.1
Write-downs, reserves, and project opening costs, net of recoveries	—	38.7	16.6	4.7	21.3	—	60.0
Loss/(income) on interests in subsidiaries	462.3	(316.1)	(37.7)	—	(37.7)	(108.5)	—
Corporate expense	17.2	75.2	15.5	61.9	77.4	(54.7)	115.1
Other operating expenses	—	1.0	72.7	51.8	124.5	—	125.5
Total operating expenses	479.5	(117.7)	3,384.8	2,382.2	5,767.0	(267.3)	5,861.5
(Loss)/income from operations	(479.5)	210.0	499.6	267.4	767.0	108.5	606.0
Interest expense, net of interest capitalized	—	(1,328.9)	(25.5)	(241.0)	(266.5)	147.1	(1,448.3)
Gains on early extinguishments of debt	—	—	—	47.9	47.9	—	47.9
Other income, including interest income	10.0	37.9	13.2	102.7	115.9	(147.1)	16.7
(Loss)/income from continuing operations before income taxes	(469.5)	(1,081.0)	487.3	177.0	664.3	108.5	(777.7)
Benefit/(provision) for income taxes	2.5	496.1	(183.8)	(56.0)	(239.8)	12.4	271.2
Net (loss)/income from continuing operations, net of taxes	(467.0)	(584.9)	303.5	121.0	424.5	120.9	(506.5)
Discontinued operations							
Income from discontinued operations	—	—	57.9	—	57.9	—	57.9
Provision for income taxes	—	—	(10.3)	—	(10.3)	(12.4)	(22.7)
Income from discontinued operations, net of income taxes	—	—	47.6	—	47.6	(12.4)	35.2
Net (loss)/income	(467.0)	(584.9)	351.1	121.0	472.1	108.5	(471.3)
Less: net income attributable to non-controlling interests	—	—	—	4.3	4.3	—	4.3
Net (loss)/income attributable to Caesars	(467.0)	(584.9)	351.1	125.3	476.4	108.5	(467.0)
Other comprehensive loss:							
Total other comprehensive loss, net of income taxes	—	(3.6)	—	(23.4)	(23.4)	—	(27.0)
Less: foreign currency translation adjustments attributable to non-controlling interests	—	—	—	(3.6)	(3.6)	—	(3.6)
Comprehensive (loss)/income attributable to Caesars	\$ (467.0)	\$ (588.5)	\$ 351.1	\$ 98.3	\$ 449.4	\$ 108.5	\$ (497.6)

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012
(In millions)

	CEC (Parent Guarantor)	Subsidiary Issuer	Subsidiary Guarantors of Parent and Subsidiary Guaranteed Debt (a)	Subsidiary Non-Guarantors of Parent and Subsidiary Guaranteed Debt (b)	Subsidiary Non-Guarantors of Parent-Only Guaranteed Debt (a) + (b)	Consolidating/ Eliminating Adjustments	Total
Cash flows provided by/(used in) operating activities	\$ 262.5	\$ 53.8	\$ (82.7)	\$ 15.0	\$ (67.7)	\$ 9.7	\$ 258.3
Cash flows from investing activities							
Acquisitions of property and equipment, net of change in construction payables	—	(0.7)	(104.6)	(198.7)	(303.3)	—	(304.0)
Change in restricted cash	—	—	—	(551.0)	(551.0)	—	(551.0)
Payments to acquire business, net of transactions costs and cash acquired	—	—	—	7.7	7.7	—	7.7
Return of investment in subsidiary	—	—	92.5	—	92.5	(92.5)	—
Investments in/advances to non-consolidated affiliates and other	—	—	—	(22.8)	(22.8)	—	(22.8)
Purchase of additional interests in subsidiaries	(127.7)	(22.8)	—	—	—	150.5	—
Cash received in conjunction with the sale of a subsidiary, net of cash contributed	—	—	—	42.4	42.4	—	42.4
Payments to acquire investments	—	—	—	(36.0)	(36.0)	—	(36.0)
Proceeds from the sale and maturity of investments	—	—	—	27.0	27.0	—	27.0
Other	(0.6)	—	(8.0)	2.3	(5.7)	—	(6.3)
Cash flows (used in)/provided by investing activities	(128.3)	(23.5)	(20.1)	(729.1)	(749.2)	58.0	(843.0)
Cash flows from financing activities							
Proceeds from issuance of long-term debt	—	110.9	—	2,358.5	2,358.5	—	2,469.4
Assumption of debt issued by non-guarantors	—	1,250.0	—	(1,250.0)	(1,250.0)	—	—
Debt issuance costs and fees	—	(24.7)	—	(7.2)	(7.2)	—	(31.9)
Borrowings under lending agreements	—	453.0	—	—	—	—	453.0
Repayments under lending agreements	—	(608.0)	—	—	—	—	(608.0)
Cash paid for early extinguishments of debt	—	(1,095.6)	—	(355.0)	(355.0)	—	(1,450.6)
Scheduled debt retirements	—	(11.3)	(1.4)	—	(1.4)	—	(12.7)
Purchase of additional interests in subsidiary	—	—	(9.6)	—	(9.6)	—	(9.6)
Proceeds from sale of additional interest in a subsidiary	—	—	—	32.2	32.2	—	32.2
Issuance of common stock in public offering, net of fees	17.4	—	—	—	—	—	17.4
Other	—	—	(8.2)	(1.0)	(9.2)	—	(9.2)
Transfers (to)/from affiliates	(136.2)	308.8	0.1	(114.7)	(114.6)	(58.0)	—
Cash flows (used in)/provided by financing activities	(118.8)	383.1	(19.1)	662.8	643.7	(58.0)	850.0
Cash flows from discontinued operations							
Cash flows from operating activities	—	—	39.9	—	39.9	(9.7)	30.2
Cash flows from investing activities	—	—	(2.3)	—	(2.3)	—	(2.3)
Net cash provided by discontinued operations	—	—	37.6	—	37.6	(9.7)	27.9
Net increase/(decrease) in cash and cash equivalents	15.4	413.4	(84.3)	(51.3)	(135.6)	—	293.2
Change in cash classified as assets held for sale	—	—	1.6	—	1.6	—	1.6
Cash and cash equivalents, beginning of period	3.9	16.6	372.5	501.6	874.1	—	894.6
Cash and cash equivalents, end of period	\$ 19.3	\$ 430.0	\$ 289.8	\$ 450.3	\$ 740.1	\$ —	\$ 1,189.4

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011
(In millions)

	CEC (Parent Guarantor)	Subsidiary Issuer	Subsidiary Guarantors of Parent and Subsidiary Guaranteed Debt (a)	Subsidiary Non-Guarantors of Parent and Subsidiary Guaranteed Debt (b)	Subsidiary Non-Guarantors of Parent-Only Guaranteed Debt (a) + (b)	Consolidating/ Eliminating Adjustments	Total
Cash flows provided by/(used in) operating activities	\$ 169.4	\$ (62.6)	\$ (43.9)	\$ 205.3	\$ 161.4	\$ —	\$ 268.2
Cash flows from investing activities							
Acquisitions of property and equipment, net of change in construction payables	—	(8.8)	(79.8)	(73.0)	(152.8)	—	(161.6)
Change in restricted cash	—	—	—	(544.0)	(544.0)	—	(544.0)
Payments to acquire certain gaming rights	—	—	—	(22.7)	(22.7)	—	(22.7)
Payments to acquire a business, net of transaction costs and cash acquired	(108.5)	(103.2)	(15.6)	(19.0)	(34.6)	227.3	(19.0)
Investment in/advances to non-consolidated affiliates and other	—	—	—	(76.0)	(76.0)	—	(76.0)
Payments to acquire investments	—	—	—	(23.8)	(23.8)	—	(23.8)
Proceeds from the sale and maturity of investments	—	—	—	14.0	14.0	—	14.0
Other	—	—	(3.8)	4.8	1.0	—	1.0
Cash flows (used in)/provided by investing activities	(108.5)	(112.0)	(99.2)	(739.7)	(838.9)	227.3	(832.1)
Cash flows from financing activities							
Proceeds from the issuance of long-term debt	—	418.3	—	445.5	445.5	—	863.8
Debt issuance costs and fees	—	(3.2)	—	(14.3)	(14.3)	—	(17.5)
Borrowings under lending agreements	—	135.0	—	—	—	—	135.0
Repayments under lending agreements	—	(135.0)	—	—	—	—	(135.0)
Cash paid for early extinguishments of debt	—	—	(1.2)	(124.7)	(125.9)	—	(125.9)
Scheduled debt retirements	—	(19.3)	—	(15.1)	(15.1)	—	(34.4)
Other	(1.6)	—	(5.0)	4.8	(0.2)	—	(1.8)
(Distributions to) and transfers from Affiliates	(82.0)	24.7	15.6	269.0	284.6	(227.3)	—
Cash flows (used in)/provided by financing activities	(83.6)	420.5	9.4	565.2	574.6	(227.3)	684.2
Cash flows from discontinued operations							
Cash flows from operating activities	—	—	46.7	—	46.7	—	46.7
Cash flows from investing activities	—	—	(3.3)	—	(3.3)	—	(3.3)
Net cash provided by discontinued operations	—	—	43.4	—	43.4	—	43.4
Net (decrease)/increase in cash and cash equivalents	(22.7)	245.9	(90.3)	30.8	(59.5)	—	163.7
Change in cash classified as assets held for sale	—	—	2.0	—	2.0	—	2.0
Cash and cash equivalents, beginning of period	136.0	61.0	344.7	431.8	776.5	—	973.5
Cash and cash equivalents, end of period	\$ 113.3	\$ 306.9	\$ 256.4	\$ 462.6	\$ 719.0	\$ —	\$ 1,139.2

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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, 2012 and 2011 should be read in conjunction with Management’s Discussion and Analysis of Financial Condition and Results of Operations presented in the 2011 10-K.

RECENT EVENTS

On October 29, 2012, Hurricane Sandy made landfall near Atlantic City, New Jersey. As a result of Hurricane Sandy, our properties in Atlantic City were closed for approximately five days. Further, certain of these properties sustained minor damage from the storm. We are in the process of assessing the impact of Hurricane Sandy on our operations in that region, including any post-storm disruption on our ability to attract customers to these facilities. We have insurance that covers portions of any losses from a natural disaster such as this, but it is subject to deductibles and maximum payouts. Therefore, our ability to estimate the impact that this storm and its aftermath will have on our results of operations in this region for the current quarter and future quarters is subject to uncertainty. However, the results of operations in this region could be significantly affected in the fourth quarter of 2012, subject to our determination of potential insurance recoveries, if any.

REGIONAL AGGREGATION

The executive officers of the Company review operating results, assess performance, and make decisions related to the allocation of resources on a property-by-property basis. We believe, therefore, that each property is an operating segment and that it is appropriate to aggregate and present the operations of the Company as one reportable segment. To provide more meaningful information than would be possible on a consolidated basis, the Company’s casino properties (as of September 30, 2012 or otherwise noted below), have been grouped into seven regions as shown in the table below to facilitate discussion of the Company’s operating results.

In May 2012, the Company entered into an agreement to sell its Harrah’s St. Louis casino to Penn National Gaming, Inc. for a purchase price of \$610.0 million. The sale closed on November 2, 2012 and the net proceeds generated from the sale of Harrah’s St. Louis are expected to be utilized to fund CEOC capital expenditures. As a result of the transaction, the assets and liabilities of the Harrah’s St. Louis casino that are included in the sale are classified as held for sale in the consolidated condensed balance sheets at September 30, 2012 and December 31, 2011. The results of the Harrah’s St. Louis casino are presented as Discontinued Operations in the consolidated condensed statements of comprehensive loss for the quarters and nine months ended September 30, 2012 and 2011 and are no longer included in the Iowa/Missouri region results.

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

^(a) Includes O’Shea’s Casino, which is adjacent to this property. O’Shea’s Casino temporarily ceased operations on April 30, 2012 and is expected to reopen in 2013.

^(b) We have an approximately 95% ownership interest in and manage this property.

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

^(d) Managed.

^(e) Windsor Casino Limited (“WCL”) operates this property and the province of Ontario owns the complex. As of June 2012, we own 100% of WCL and its results are consolidated into our results. Prior to June 2012, we had a 50% ownership interest in WCL that was accounted for under the equity method.

^(f) We own, operate, or manage 10 casino clubs in the provinces of the United Kingdom and two in Egypt. We have a 70% ownership interest in and manage one casino in South Africa.

^(g) Prior to May 2012, this property operated under the Harrah’s Chester name. We have a 99.5% ownership interest in and manage this property.

^(h) We manage this property and have a 20% interest in Rock Ohio Caesars, LLC, which owns this property.

[Table of Contents](#)**CONSOLIDATED OPERATING RESULTS**

(Dollars in millions)	Quarter Ended September 30,		Percentage Favorable/ (Unfavorable)	Nine Months Ended September 30,		Percentage Favorable/ (Unfavorable)
	2012	2011		2012	2011	
Casino revenues	\$1,580.0	\$1,629.5	(3.0)%	\$ 4,758.4	\$4,846.5	(1.8)%
Net revenues	2,198.4	2,189.7	0.4%	6,572.5	6,467.5	1.6%
(Loss)/income from operations	(220.6)	179.8	**	(82.3)	606.0	**
Loss from continuing operations, net of income taxes	(506.2)	(184.6)	(174.2)%	(1,054.8)	(506.5)	(108.3)%
Income from discontinued operations, net of income taxes	2.8	11.2	(75.0)%	28.5	35.2	(19.0)%
Net loss attributable to Caesars	(505.5)	(164.0)	(208.2)%	(1,027.8)	(467.0)	(120.1)%
Operating margin *	(10.0)%	8.2%	(18.2) pts	(1.3)%	9.4%	(10.7) pts

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

** Not meaningful

Quarter ended September 30, 2012 compared with September 30, 2011

Net revenues for the third quarter of 2012 increased 0.4% compared with the year-earlier period, due mainly to an increase in other revenues from the Company's interactive operations, which include Playtika, Ltd. ("Playtika"), a wholly-owned subsidiary of CIE, and higher revenues from Caesars' management companies resulting from the opening of Horseshoe Cleveland earlier this year. These increases were largely offset by lower casino revenues in all but the Las Vegas and Illinois/Indiana regions.

Loss from operations for the third quarter of 2012 was \$220.6 million compared with income from operations of \$179.8 million in the prior-year quarter. This change was due mainly to non-cash charges totaling \$419.0 million, comprised of intangible asset impairments of \$247.0 million related to goodwill, \$127.0 million related to trademarks, and \$32.0 million related to gaming rights, and a tangible asset impairment of \$13.0 million.

Net loss attributable to Caesars for the third quarter of 2012 was \$505.5 million, up \$341.5 million, or 208.2%, from the third quarter of 2011. Higher net losses in the third quarter of 2012 reflect the impairment charges discussed above, increased interest expense for the third quarter of 2012 and changes in the tax rate benefit as further described in "Other Factors Affecting Net Income" that follows herein.

Nine Months Ended September 30, 2012 compared with September 30, 2011

Net revenues for the nine months ended September 30, 2012 were \$6,572.5 million, up \$105.0 million, or 1.6%, from the year-earlier period due mainly to increased rooms revenues in the Las Vegas region due in part to the opening of the Octavius Tower at Caesars Palace earlier this year, revenues from the Company's interactive operations, and higher revenues from Caesars' management companies described above. Strength in the Las Vegas region resulted in higher casino revenues, which were more than offset by decreases in casino revenues across all other regions, most significantly in Atlantic City.

For the nine months ended September 30, 2012, loss from operations was \$82.3 million compared to income from operations of \$606.0 million in the year-ago period. This change was due mainly to \$720.5 million of non-cash impairment charges comprised of the intangible and tangible asset impairments discussed above, together with a \$33.0 million intangible asset impairment related to trademarks recorded in the second quarter of 2012, and tangible asset impairments of \$167.5 million related to a previously halted development project in Biloxi, Mississippi and \$101.0 million related to the Macau land concessions, recorded in the first and second quarters of 2012, respectively. Income from operations for the nine months ended September 30, 2011 included a non-cash tangible asset impairment charge of \$27.1 million related to the termination of a development stage project in Spain. Also contributing to the loss from operations in 2012 was higher depreciation expense associated with the opening of the Octavius Tower, partially offset by the income impact of higher revenues.

Net loss attributable to Caesars for the nine months ended September 30, 2012 was \$1,027.8 million, up \$560.8 million, or 120.1%, from the same period in 2011 and reflects the decrease in income from operations described above, higher interest expense, and changes in the tax rate benefit, partially offset by an increase in gains on early extinguishments of debt as further described in "Other Factors Affecting Net Income" that follows herein.

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Performance Metrics

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

The following table reflects the percentage increase/(decrease) in trips and spend per trip for the U.S. regions for the third quarter and the nine-month periods of 2012 compared with the same periods in 2011.

	Quarter Ended September 30,		Nine Months Ended September 30,	
	Trips	Spend per Trip	Trips	Spend per Trip
Consolidated Caesars	(4.9)%	1.3%	(1.9)%	(0.6)%
Las Vegas region	(0.4)%	7.8%	2.3%	0.8%
Atlantic City region:				
Lodgers	(4.5)%	(2.8)%	(6.2)%	(1.3)%
Non-lodgers	(5.1)%	(4.1)%	(4.1)%	(1.2)%
All other regions	(6.0)%	(0.6)%	(1.4)%	(1.9)%

Trips across all regions decreased in the third quarter of 2012 when compared with the same period in 2011, resulting in a decline of 4.9% on a consolidated basis, due mainly to economic and competitive pressures as well as hurricane-related property closures in the Louisiana/Mississippi region in August 2012. Trips for the nine months ended September 30, 2012 decreased 1.9% on a consolidated basis compared with the same period in 2011, as increased trips in the Las Vegas region were unable to offset the large declines in Atlantic City and modest declines in the rest of the U.S. regions. The overall increase in spend per trip for the third quarter of 2012 was attributable to a large increase in the Las Vegas region due primarily to strength in the international high-end segment, as well as modest increases in the Iowa/Missouri and Louisiana/Mississippi regions. For the nine months ended September 30, 2012, spend per trip declined 0.6% compared with 2011, due mainly to decreases in all U.S. regions, except Las Vegas, which increased slightly.

On a consolidated basis in 2012, third quarter cash average daily room rates decreased from \$91 to \$89 and remained flat for the nine-month period, due primarily to decreases in our groups segment, and total occupancy percentage remained flat in the third quarter and the nine months ended September 30, 2012 when compared with 2011 periods.

REGIONAL OPERATING RESULTS

Las Vegas Region

(Dollars in millions)	Quarter Ended September 30,		Percent Favorable/ (Unfavorable)	Nine Months Ended September 30,		Percent Favorable/ (Unfavorable)
	2012	2011		2012	2011	
Casino revenues	\$387.9	\$369.1	5.1%	\$1,212.3	\$1,157.3	4.8%
Net revenues	735.1	733.1	0.3%	2,287.3	2,245.9	1.8%
Income from operations	62.4	88.2	(29.3)%	310.4	348.4	(10.9)%
Operating margin *	8.5%	12.0%	(3.5) pts	13.6%	15.5%	(1.9) pts

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

Third-quarter net revenues were relatively flat for the region when compared with 2011, as increased casino revenues were mostly offset by decreases in food and beverage and other revenues combined with higher promotional allowances. Revenues rose slightly, despite the negative impact on results caused by Project Linq construction activities, including the closure of

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O'Shea's casino in May 2012, the closure of several retail outlets at Harrah's Las Vegas and the ongoing renovation of the Imperial Palace, which the Company estimates to have reduced net revenues by approximately \$10 million to \$15 million. Trips were relatively flat, while spend per trip increased 7.8%, due primarily to strength in the international high-end segment. Hotel revenues in the region were relatively flat when compared with 2011, due in part to the 662 additional Octavius Tower rooms, offset by a decrease in cash average daily room rates from \$89 in 2011 to \$87 in 2012 and a decrease in total occupancy percentage of 1.8 percentage points.

Income from operations decreased for the third quarter of 2012 by 29.3% primarily due to increases in property operating expenses, non-cash intangible asset impairment charges of \$3.0 million and an increase in write-downs, reserves, and project opening costs, net of recoveries, associated with demolition costs to prepare for Project Linq. Additionally, the Company estimates that the impact caused by the Project Linq construction activities reduced income from operations by approximately \$5 million to \$10 million.

Net revenues for the nine months ended September 30, 2012 in the Las Vegas region increased \$41.4 million, or 1.8%, from 2011, due primarily to strength in the international, high-end gaming segment contributing to higher casino revenues and the January 2012 opening of the Octavius Tower contributing to higher rooms revenue. Revenues rose, despite the negative impact on results caused by Project Linq construction activities which the Company estimates to have reduced net revenues by approximately \$20 million to \$30 million. Trips increased by 2.3% in the nine months ended September 30, 2012 from 2011 and cash average daily room rates increased 1.2% to \$93 from \$92.

Income from operations decreased 10.9% for the nine months ended September 30, 2012, due primarily to an increase in depreciation expense and increases in property operating expenses associated with the Octavius Tower, as well as the intangible impairment charges as discussed above. Additionally, the Company estimates that the impact caused by the Project Linq construction activities reduced income from operations by approximately \$10 million to \$20 million.

During 2011, we commenced construction on Project Linq, a dining, entertainment, and retail development between our Flamingo and Imperial Palace casinos, on the east side of the Las Vegas Strip, which is scheduled to open in phases beginning in the second half of 2013. Project Linq also includes the construction of a 550-foot observation wheel, the High Roller, which is expected to open in the first quarter of 2014. Through September 30, 2012, \$147.2 million had been spent on this project, of which \$94.5 million was spent in 2012.

Atlantic City Region

<u>(Dollars in millions)</u>	<u>Quarter Ended</u> <u>September 30,</u>		<u>Percent</u> <u>Favorable/</u> <u>(Unfavorable)</u>	<u>Nine Months Ended</u> <u>September 30,</u>		<u>Percent</u> <u>Favorable/</u> <u>(Unfavorable)</u>
	<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>	
Casino revenues	\$397.9	\$422.1	(5.7)%	\$1,136.4	\$1,227.6	(7.4)%
Net revenues	477.3	497.5	(4.1)%	1,346.2	1,424.2	(5.5)%
Income from operations	47.3	39.7	19.1%	82.4	93.6	(12.0)%
Operating margin *	9.9%	8.0%	1.9 pts	6.1%	6.6%	(0.5) pts

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

Net revenues for the third quarter of 2012 in the Atlantic City region were down \$20.2 million, or 4.1%, from 2011, due mainly to lower casino revenues, largely resulting from a decline in trips. Trips by lodgers and non-lodgers declined 4.5% and 5.1%, respectively, in the third quarter of 2012 from 2011 due mainly to new competition in the region. Spend per trip for lodgers and non-lodger decreased 2.8% and 4.1%, respectively. The Company expects the market to continue to be challenged by local and regional competition. Income from operations increased in the third quarter of 2012 by 19.1% compared with 2011 due mainly to decreased property operating expenses resulting from cost savings initiatives and lower property tax assessments in Atlantic City, partially offset by the decline in net revenues.

In the nine months ended September 30, 2012, net revenues decreased from 2011 by \$78.0 million, or 5.5%, due largely to trip and spend per trip declines in both the lodger and non-lodger segments. Income from operations was down by 12.0% due mainly to the income impact of lower revenues, partially offset by a decrease in property operating expenses including decreases in property tax expense due to lower property tax assessments in Atlantic City.

The Company is exploring an opportunity to develop an approximately \$140 million convention center with the support of the NJ Casino Reinvestment Development Authority that would be connected to its Harrah's Atlantic City property. The ability to develop this project will be subject to several factors, including the Company's ability to obtain financing.

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Louisiana/Mississippi Region

(Dollars in millions)	Quarter Ended September 30,		Percent Favorable/ (Unfavorable)	Nine Months Ended September 30,		Percent Favorable/ (Unfavorable)
	2012	2011		2012	2011	
Casino revenues	\$ 242.5	\$267.8	(9.4)%	\$ 760.0	\$775.4	(2.0)%
Net revenues	266.2	291.7	(8.7)%	843.5	845.5	(0.2)%
(Loss)/income from operations	(183.0)	35.4	**	(271.2)	106.0	**
Operating margin *	(68.7)%	12.1%	(80.8) pts	(32.2)%	12.5%	(44.7) pts

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

** Not meaningful.

Third quarter of 2012 net revenues in the Louisiana/Mississippi region decreased \$25.5 million, or 8.7%, from 2011. Revenues were negatively impacted by the closures of two casinos in the region as a result of Hurricane Isaac in August 2012, which contributed to a 6.2% decline in trips. Loss from operations was \$183.0 million in the third quarter of 2012 compared with income from operations of \$35.4 million in 2011. This change was due primarily to the non-cash intangible asset impairment charges of \$176.0 million, of which \$175.0 million related to goodwill and \$1.0 million related to gaming rights, as well as a non-cash tangible asset impairment charge of \$13.0 million and a \$20.2 million charge for exit activities related to the halted development project in Biloxi, Mississippi. Also contributing to the loss from operations is the income impact of lower revenues and non-recurring costs associated with hurricane-related damage to the closed properties. The Company estimates that the negative impact of Hurricane Isaac on its loss from operations was approximately \$8 million to \$10 million.

For the nine months ended September 30, 2012, net revenues in the region were down slightly compared with 2011, as revenue increases achieved in the first and second quarters of 2012 were offset by the third quarter hurricane-related impact. Loss from operations was \$271.2 million in the nine months ended September 30, 2012, compared with income from operations of \$106.0 million in 2011. This change was due mainly to the third quarter of 2012 intangible and tangible asset impairment charges described above, as well as a \$172.0 million charge in the first quarter of 2012, of which \$167.5 million was a non-cash tangible asset impairment related to the previously halted development project in Biloxi, Mississippi.

Iowa/Missouri Region

The following results exclude Harrah's St. Louis casino which has been classified as a Discontinued Operation in our consolidated condensed statements of comprehensive loss for the quarter and nine months ended September 30, 2012 and 2011 as a result of the sale of this property.

(Dollars in millions)	Quarter Ended September 30,		Percent Favorable/ (Unfavorable)	Nine Months Ended September 30,		Percent Favorable/ (Unfavorable)
	2012	2011		2012	2011	
Casino revenues	\$107.6	\$111.3	(3.3)%	\$326.1	\$328.5	(0.7)%
Net revenues	117.0	119.9	(2.4)%	350.6	352.1	(0.4)%
Income from operations	38.8	27.5	41.1%	94.6	79.7	18.7%
Operating margin *	33.2%	22.9%	10.3 pts	27.0%	22.6%	4.4 pts

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

Net revenues in the third quarter of 2012 in the Iowa/Missouri region decreased \$2.9 million, or 2.4%, from 2011 due mainly to a decline in casino revenues resulting from new competition in the Kansas City market. Income from operations increased for the third quarter of 2012 from 2011 due mainly to a reduction in property operating expenses resulting from the refinement of estimates of costs remaining in the discontinued operations of the Harrah's St. Louis casino as a result of the imminent closing of the transaction.

Net revenues in the nine months ended September 30, 2012 decreased \$1.5 million, or 0.4%, from 2011. Spend per trip increased while trips to the properties in the region declined as a result of the new competition mentioned above. Income from operations increased for the nine months ended September 30, 2012 from 2011 due mainly to reduced property operating expenses that more than offset lower revenues.

[Table of Contents](#)**Illinois/Indiana Region**

(Dollars in millions)	Quarter Ended September 30,		Percent Favorable/ (Unfavorable)	Nine Months Ended September 30,		Percent Favorable/ (Unfavorable)
	2012	2011		2012	2011	
Casino revenues	\$250.8	\$249.1	0.7%	\$765.0	\$775.5	(1.4)%
Net revenues	263.5	260.2	1.3%	802.7	806.1	(0.4)%
Income from operations	40.5	30.5	32.8%	121.6	110.2	10.3%
Operating margin *	15.4%	11.7%	3.7 pts	15.1%	13.7%	1.4 pts

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

Third quarter of 2012 net revenues in the Illinois/Indiana region increased slightly from 2011. Spend per trip declined while increased competitive pressures in the region resulted in fewer trips, despite the reopening earlier this year of the bridge that allows direct access by customers to our Southern Indiana property, which closure affected the property starting in early September 2011. Income from operations for the third quarter of 2012 increased 32.8% from the same period in 2011 due mainly to higher revenues together with reduced property operating expenses as a result of cost savings initiatives.

Net revenues in the nine months ended September 30, 2012 decreased \$3.4 million, or 0.4%, from 2011, due to declines in casino revenues. Trips and spend per trip were negatively impacted by the competition mentioned above. Income from operations for the nine months ended September 30, 2012 increased by 10.3% when compared with 2011 due mainly to reduced property operating expenses mentioned above.

Other Nevada Region

(Dollars in millions)	Quarter Ended September 30,		Percent Favorable/ (Unfavorable)	Nine Months Ended September 30,		Percent Favorable/ (Unfavorable)
	2012	2011		2012	2011	
Casino revenues	\$ 98.7	\$107.7	(8.4)%	\$255.4	\$274.8	(7.1)%
Net revenues	134.1	140.9	(4.8)%	336.4	355.1	(5.3)%
(Loss)/income from operations	(75.2)	30.3	**	(61.5)	48.4	**
Operating margin *	(56.1)%	21.5%	(77.6) pts	(18.3)%	13.6%	(31.9) pts

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

** Not meaningful.

Third quarter of 2012 net revenues decreased \$6.8 million, or 4.8%, from the same period in 2011 due mainly to a decline in casino revenues. Trips to the properties in the region, as well as spend per trip, declined in the third quarter of 2012 compared with 2011 due to local competitive pressures and the Company expects the market to continue to be challenged. There was a loss from operations of \$75.2 million in the third quarter of 2012 compared with income from operations of \$30.3 million in 2011. This change was due mainly to non-cash intangible asset impairment charges of \$103.0 million recorded in the 2012 quarter, comprised of \$72.0 million related to goodwill and \$31.0 million related to gaming rights.

Net revenues in the nine months ended September 30, 2012 decreased \$18.7 million, or 5.3%, from 2011 largely due to a decline in casino revenues resulting from the challenging, competitive environment in the region. Loss from operations in the nine months ended September 30, 2012 was \$61.5 million compared with income from continuing operations of \$48.4 million, a decrease of \$109.9 million. This change was due mainly to the non-cash impairment charges in the quarter discussed above, coupled with the income impact of lower revenues.

Managed, International, and Other

The Managed region includes companies that operate three Indian-owned casinos, as well as Horseshoe Cleveland and Caesars Windsor, and the results of Thistledown through August 2012 when the racetrack was contributed to Rock Ohio Caesars, LLC, a joint venture in which Caesars holds a 20% ownership interest. Subsequent to August 2012, the Managed region includes the results of the subsidiary that manages Thistledown. See Note 2, "Acquisitions, Investments and Dispositions" for further discussion. The International region includes the results of Caesars' international operations. The Other region is comprised of corporate expenses, including administrative, marketing, and development costs, income from certain non-consolidated affiliates, and the results of CIE, which consists of the businesses related to the World Series of Poker® ("WSOP") brand, an online real-money business in the U.K. and alliances with online gaming providers in Italy and France, and the results of Playtika, since it was acquired in May 2011.

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(Dollars in millions)	Quarter Ended September 30,		Percent Favorable/ (Unfavorable)	Nine Months Ended September 30,		Percent Favorable/ (Unfavorable)
	2012	2011		2012	2011	
Net revenues						
Managed	\$ 37.0	\$ 13.6	172.1%	\$ 62.0	\$ 36.9	68.0%
International	105.7	110.9	(4.7)%	340.6	336.2	1.3%
Other	62.5	21.8	186.7%	203.2	65.4	210.7%
Total net revenues	<u>\$ 205.2</u>	<u>\$ 146.3</u>	40.3%	<u>\$ 605.8</u>	<u>\$ 438.5</u>	38.2%
(Loss)/income from operations						
Managed	\$ (2.1)	\$ 2.2	**	\$ 3.0	\$ 5.0	(40.0)%
International	(3.9)	(0.3)	**	(89.0)	19.7	**
Other	(145.3)	(73.8)	(96.9)%	(272.5)	(205.0)	(32.9)%
Total loss from operations	<u>\$(151.3)</u>	<u>\$(71.9)</u>	(110.4)%	<u>\$(358.5)</u>	<u>\$(180.3)</u>	(98.8)%

** Not meaningful.

Net revenues in the third quarter of 2012 for Managed, International, and Other increased \$58.9 million, or 40.3%, from 2011, due primarily to higher revenues associated with the Company's growing interactive operations. Net revenue increases were also attributable to the opening of a new managed casino, Horseshoe Cleveland, which began operations in May 2012, including an increase in reimbursable expenses for Horseshoe Cleveland that is presented on a gross revenue basis, thus resulting in an increase in net revenues and an equally offsetting increase in operating expenses. Loss from operations increased \$79.4 million in the third quarter of 2012 from 2011, due mainly to non-cash intangible asset impairment charges of \$124.0 million in the 2012 quarter related to trademarks and increased corporate expenses. Increases in corporate expenses were attributable to the consolidation of certain functions at corporate and increased stock-based compensation expense.

In the nine months ended September 30, 2012, net revenues for the region increased \$167.3 million, or 38.2%, from 2011, due mainly to increases associated with our interactive operations, as well as increased revenues from the opening of Horseshoe Cleveland, as discussed above. Loss from operations increased \$178.2 million, or 98.8%, in the nine months ended September 30, 2012 from 2011, due mainly to an increase in corporate expense, the impairment charges mentioned above and impairment charges recorded in the second quarter of 2012, consisting of a \$33.0 million intangible asset impairment related to trademarks and a tangible asset impairment of \$101.0 million related to the Macau land concessions. Increases in corporate expenses were attributable to the consolidation of certain functions at corporate and increased stock-based compensation expense. Increased earnings in our interactive business partly offset these unfavorable charges.

OTHER FACTORS AFFECTING NET INCOME

Expense/(income) (In millions)	Quarter Ended September 30,		Percent Favorable/ (Unfavorable)	Nine Months Ended September 30,		Percent Favorable/ (Unfavorable)
	2012	2011		2012	2011	
Interest expense, net of interest capitalized	\$ 515.7	\$450.3	(14.5)%	\$1,574.3	\$1,448.3	(8.7)%
Gains on early extinguishments of debt	—	—	—	(79.5)	(47.9)	66.0%
Benefit for income taxes	(225.5)	(77.7)	190.2%	(502.9)	(271.2)	85.4%
Income from discontinued operations, net of income taxes	(2.8)	(11.2)	(75.0)%	(28.5)	(35.2)	(19.0)%

Interest Expense, Net of Interest Capitalized

Interest expense, net of interest capitalized, increased by \$65.4 million, or 14.5%, in the third quarter of 2012, due primarily to higher interest rates as a result of extending the maturities of our debt combined with higher debt balances compared with the year-ago quarter, and a \$66.2 million decrease in mark-to-market gains on derivatives resulting from \$6.2 million of gains in 2012 compared with gains of \$72.4 million in 2011, partially offset by \$33.9 million of lower amortization of deferred losses in accumulated other comprehensive loss.

Interest expense, net of interest capitalized, increased by \$126.0 million or 8.7% for the nine months ended September 30, 2012 from 2011, due primarily to higher interest rates as a result of extending the maturities of our debt combined with higher debt balances compared with the year-ago quarter, and a \$73.3 million decrease in mark-to-market gains on derivatives resulting from \$10.9 million of losses in 2012 compared with gains of \$62.4 million in 2011, and the write off of deferred financing costs and debt discounts associated with debt transactions completed in the nine months ended September 30, 2012.

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Interest expense is reported net of interest capitalized of \$9.5 million and \$11.6 million for the third quarter of 2012 and 2011, respectively, and \$27.6 million and \$12.2 million for the nine months ended September 30, 2012 and 2011, respectively. Interest capitalized in 2012 is primarily related to Project Linq. Cash paid for interest was \$285.6 million and \$211.0 million for the third quarter of 2012 and 2011, respectively, and \$1,169.8 million and \$1,071.0 million for the nine months ended September 30, 2012 and 2011, respectively.

Gains on Early Extinguishments of Debt

During the nine months ended September 30, 2012, the Company recognized gains on early extinguishments of debt of \$79.5 million, net of deferred financing costs, due primarily to the purchases of \$202.4 million face value of CMBS Loans for \$122.0 million. During the nine months ended September 30, 2011, the Company recognized gains on early extinguishments of debt of \$47.9 million, net of deferred financing costs, due to purchases of \$158.1 million face value of CMBS Loans for \$108.5 million.

Tax Rate Benefit

The effective tax rate benefit for the quarter ended September 30, 2012 and September 30, 2011, was 30.8% and 29.6%, respectively. The reason for the increase in the quarterly rate at September 30, 2012 is that the negative impact to the 2012 rate, which is primarily caused by nondeductible goodwill impairments, was relatively less than the negative impact to the 2011 rate, which was primarily caused by nondeductible foreign losses and nondeductible losses on company-owned life insurance policies.

The effective tax rate benefit for the nine months ended September 30, 2012 and September 30, 2011 was 32.3% and 34.9%, respectively. The primary cause of the difference in tax rates relates to the negative impact of nondeductible goodwill impairments incurred in 2012.

LIQUIDITY AND CAPITAL RESOURCES

Cost Savings Initiatives

Caesars Entertainment has undertaken comprehensive cost-reduction efforts to rightsize expenses with business levels through its implementation of Project Renewal. As a part of Project Renewal, we designed a shared-services organization that will enable more efficient decision making and sharing of best practices. Caesars anticipates that the Company will have a permanently lower cost structure and will benefit from greater concentration of specified talent and quicker decision making. We estimate that Project Renewal and other cost-savings programs produced \$50.8 million and \$135.3 million, in incremental cost savings for the third quarter and nine months ended of 2012, respectively, when compared with the same periods in 2011. Additionally, as of September 30, 2012, we expect that these cost-savings programs will produce additional annual cost savings of \$204.3 million, based on the full implementation of current projects that are in process. As we finalize our estimates of cost reduction activities, this amount could change.

Capital Spending and Development

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

Our planned development projects, if they proceed, 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 ended September 30, 2012 totaled \$304.0 million, which includes an increase of \$33.9 million of construction payables. Estimated total capital expenditures for 2012, including 2012 expenditures associated with Project Linq, are expected to be between \$520.0 million and \$560.0 million.

Cash used for capital expenditures in the normal course of business is typically made available from cash flows generated by our operating activities and established debt programs, while cash used for development projects, including projects currently under development as well as additional projects being pursued, is typically funded from established debt programs, specific project financing, and additional debt offerings. As a result of the sale of Harrah's St. Louis, the Company expects to use the net proceeds from the sale to fund CEOC capital expenditures. Proceeds not used for capital expenditures are required to be used to purchase certain outstanding debt obligations of CEOC.

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Liquidity and Capital Resources

Our cash and cash equivalents, excluding restricted cash, totaled \$1,189.4 million at September 30, 2012 compared with \$894.6 million at December 31, 2011. Restricted cash totaled \$1,068.7 million at September 30, 2012, the current portion of which includes the \$750.0 million of proceeds from our August 2012 debt offering that were held in escrow until October 5, 2012, when escrow conditions were satisfied. Nearly all of the remaining 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. The net proceeds generated from the sale of Harrah's St. Louis are expected to be utilized to fund CEOC capital expenditures. Proceeds not used for capital expenditures are required to be used to purchase certain outstanding debt obligations of CEOC. Our cash flows from operating, investing, and financing activities associated with Harrah's St. Louis, which is defined as discontinued operations for the nine months ended September 30, 2012, are included in our consolidated condensed statements of cash flows.

We are a highly leveraged company and a substantial portion of our operating cash flows are used to fund debt service. As of September 30, 2012, we had \$20,758.5 million book value of indebtedness outstanding, including capital lease indebtedness. This amount includes the August 2012 debt offering of \$750.0 million which is classified as current in our consolidated condensed balance sheet at September 30, 2012 due to escrow conditions not being satisfied as of that date. On October 5, 2012, the escrow conditions were satisfied and the debt was reclassified to long-term. Cash paid for interest for the nine months ended September 30, 2012 was \$1,169.8 million. Payments of short-term debt obligations other than the \$750.0 million described above, and payments of other commitments, are expected to be made from operating cash flows and from borrowings under our established debt programs. Our operating cash inflows are typically used for operating expenses, debt service costs, working capital needs, and capital expenditures in the normal course of business. Long-term obligations are expected to be paid through operating cash flows, refinancing of debt, or, if necessary, additional debt or equity offerings.

In addition to cash flows from operations, available sources of cash include amounts available under our current revolving credit facility. At September 30, 2012, our additional borrowing capacity under the credit facility was \$975.5 million. After taking into account the extensions, repayments and commitment reductions described in Note 16, "Subsequent Events," in Item 1 of this Form 10-Q, there was \$2,738.9 million face value of B-6 term loans outstanding, \$1,026.4 million face value of B-1, B-2 and B-3 term loans outstanding with a maturity of January 28, 2015, \$607.1 million of revolving commitments outstanding with a maturity of January 28, 2014 and \$31.1 million of revolving commitments outstanding with a maturity of January 28, 2017.

In March 2012, the Company filed a prospectus with the SEC, as part of a registration statement, to sell shares of common stock, up to a maximum aggregate offering price of \$500.0 million, and, in April 2012, the Company entered into an equity distribution agreement whereby the Company may issue and sell up to 10.0 million shares of the Company's common stock from time to time.

In recent years, we have not been generating sufficient operating cash flows to fund our investing activities, requiring us to fund our investments with additional financing. Our ability to fund our operations and pay our debt and debt service obligations 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.

A substantial portion of our financing is comprised of credit facility and notes financing obtained by CEOC. The CEOC financings are neither secured nor guaranteed by Caesars' other wholly-owned subsidiaries, including certain subsidiaries that own properties that secure \$4,829.1 million face value, as of September 30, 2012, of the CMBS loans. 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 Form 10-Q 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, 2012 and December 31, 2011, changes in our debt outstanding, and certain changes in the terms of existing debt for the quarter ended September 30, 2012. Note 5 also includes details on restrictive covenants related to certain of our borrowings. Note 6, "Derivative Instruments," discusses the use of interest rate swap and interest rate derivatives to manage the mix of our debt between fixed and variable rate instruments.

As described in Note 5 to our consolidated condensed financial statements, certain of our borrowings have covenants and requirements that include, among other things, the maintenance of specific levels of financial ratios. Failure to comply with these covenants can result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions.

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We are in compliance with CEOC's senior secured credit facilities and indentures, including the senior secured leverage ratio, as of September 30, 2012. In order to comply with the quarterly senior secured leverage ratio in the future, the Company will need to achieve a certain amount of Adjusted EBITDA-Pro-Forma - CEOC Restricted and / or reduced levels of total senior secured net debt (total senior secured debt less unrestricted cash). The factors that could impact the foregoing include (a) changes in gaming trips, spend per trip and hotel metrics, which are correlated to a consumer recovery, (b) ability to effect cost-savings initiatives, (c) asset sales, (d) issuing additional second lien or unsecured debt, (e) equity financings, (f) delays in development project spending, or (g) a combination thereof. In addition, under certain circumstances, our senior secured credit facilities allow us to apply cash contributions received by CEOC as an increase to Adjusted EBITDA if CEOC is unable to meet its Senior Secured Leverage Ratio. However, there is no guarantee that such contributions will be forthcoming.

Based upon the Company's current operating forecast, as well as our ability to achieve one or more of the factors noted above, the Company believes that it will continue to be in compliance with the senior secured leverage ratio and meet its cash flow needs during the next twelve months. As discussed earlier in this Item 2, we continue to assess the impact of Hurricane Sandy on our forecasted results of operations and Adjusted EBITDA in the Atlantic City region. If the Company was unable to maintain compliance with the senior secured leverage ratio and the Company failed to remedy a default pursuant to the terms of its senior secured credit facilities, there would be an "event of default" under the senior secured credit agreement. We cannot assure you that our business will generate sufficient cash flows from operations, that we will be successful in sales of assets, or that future borrowings will be available to us, to fund our liquidity needs and pay our indebtedness when due. If we are unable to meet our liquidity needs or pay our indebtedness when it is due, we may be required to further reduce expenses, sell additional 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.

Guarantees of Third-Party Debt and Other Obligations and Commitments

Material changes to our aggregate indebtedness are described in Note 5, "Debt," of this Form 10-Q. At September 30, 2012, our estimated interest payments for the years ended December 31, 2012 through 2016 are approximately \$441 million, \$1,770 million, \$1,774 million, \$1,397 million and \$1,228 million, respectively, and our estimated interest payments thereafter are \$1,783 million.

There have been no material changes outside the ordinary course of business to our other known contractual obligations, which are set forth in the table included in our 2011 10-K.

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

This quarterly report on Form 10-Q contains or may contain “forward-looking statements” intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. We have based these forward-looking statements on our current expectations about future events. Further, statements that include words such as “may,” “will,” “project,” “might,” “expect,” “believe,” “anticipate,” “intend,” “could,” “would,” “estimate,” “continue,” or “pursue,” or the negative of these words or other words or expressions of similar meaning may identify forward-looking statements. These forward-looking statements are found at various places throughout the report. These forward-looking statements, including, without limitation, those relating to future actions, new projects, strategies, future performance, the outcome of contingencies such as legal proceedings, and future financial results, wherever they occur in this report, are necessarily estimates reflecting the best judgment of our management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These forward-looking statements should, therefore, be considered in light of various important factors set forth above and from time to time in our filings with the Securities and Exchange Commission.

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

- the impact of our substantial indebtedness;
- the effects of local and national economic, credit, and capital market conditions on the economy, in general, and on the gaming industry, in particular;
- the ability to realize the expense reductions from cost savings programs;
- access to available and reasonable financing on a timely basis;
- the ability of our customer-tracking, customer loyalty, and yield-management programs to continue to increase customer loyalty and same-store or hotel sales;
- 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;
- the ability to recoup costs of capital investments through higher revenues;
- abnormal gaming holds (“gaming hold” is the amount of money that is retained by the casino from wagers by customers);
- the ability to timely and cost-effectively integrate companies that we acquire into our operations;
- the effects of competition, including locations of competitors and operating and market competition.
- the potential difficulties in employee retention and recruitment as a result of our substantial indebtedness or any other factor;
- 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;
- litigation outcomes and judicial and governmental body actions, including gaming legislative action, referenda, regulatory disciplinary actions, and fines and taxation;
- the effects of environmental and structural building conditions relating to our properties;
- access to insurance on reasonable terms for our assets;
- acts of war or terrorist incidents, severe weather conditions, uprisings or natural disasters;
- losses sustained as a result of natural disasters, including losses in revenues and damage to property, and the impact of severe weather conditions on our ability to attract customers to certain of our facilities, such as the amount of losses and disruption to our company as a result of Hurricane Sandy in late October 2012; and
- the impact, if any, of unfunded pension benefits under multi-employer pension plans.

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 \$23,467.3 million face value of debt, including capital lease obligations, at September 30, 2012, we have entered into interest rate swap agreements to fix the interest rate on \$5,750.0 million of variable rate debt, and \$6,270.7 million of debt remains subject to variable interest rates.

We use interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. 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 ended September 30, 2012. Our only material ownership interests in businesses in foreign countries are London Clubs, Caesars Golf Macau, and an approximate 95% ownership of a casino in Uruguay. Therefore, we have not been subject to material foreign currency exchange rate risk from the effects that exchange rate movements of foreign currencies would have on our future results of operations 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, 2012. 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.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

The Supreme Court of Nevada decided in early 2008 that food purchased for subsequent use in the provision of complimentary and/or employee meals is exempt from use tax. Previously, such purchases were subject to use tax and the Company has claimed, but not recognized into earnings, a use tax refund totaling \$32.2 million, plus interest, as a result of the 2008 decision. In early 2009, the Nevada Department of Taxation (“Department”) audited our refund claim, but has taken the position that those same purchases are now subject to sales tax; therefore, they subsequently issued a sales tax assessment totaling \$27.4 million plus interest after application of our refund on use tax.

On October 21, 2010, the administrative law judge (“ALJ”) issued a decision and ruled in our favor on a number of key issues. Although both the Company and the Nevada Department of Taxation filed an appeal of the decision with the Nevada Tax Commission (“Commission”), the case was returned to the ALJ for further factual development. The ALJ’s issued a second decision on March 8, 2012, reversing her previous, partially favorable ruling relating to the taxability of complimentary employee meals and affirmed the taxability of complimentary meals but limited the entire sales tax assessment to the amount of the Company’s use tax refund claims resulting in no use tax refund awarded but no sales tax amounts due. The ALJ decision was affirmed in the Commission hearing on June 25, 2012 and the Commission’s final decision was issued on July 31, 2012. We filed a petition for judicial review with the District Court on August 7, 2012.

Subsequent to the written Commission decision issued in February for another gaming company, the Department has issued draft regulations requiring the collection of sales tax on the retail value of complimentary meals and the cost of employee meals. Although the Commission approved the regulation on June 25, 2012, there are several additional approvals required, including by the Legislative Commission, before the regulation is finalized. On June 6, 2012, the Department issued additional guidance regarding the payment of sales tax on complimentary and employee meals, maintaining that meals are taxable as of February 15, 2012 but that the payment of the tax is due, without penalty or interest, at the earlier of (a) one month after approval of the regulation by the Legislative Commission, (b) one month after a Nevada Supreme Court decision, (c) the effective date of any legislation or (d) June 30, 2013. The Department stated that it provided this additional guidance regarding the deferral of payment requirements because the Legislative Commission has not had the opportunity to approve the regulation and because there are several ongoing appeals that have not been heard by the Tax Commission and the Nevada Supreme Court.

Due to uncertainty regarding the ultimate outcome of our pending litigation and/or the final approval and form of the pending regulation, we continue to record certain reserves against loss on this matter.

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, results of operations, or cash flows.

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, 2011.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Our 2013 Annual Meeting of Stockholders is scheduled for April 24, 2013.

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
3.1	Certificate of Amendment of Certificate of Incorporation of Caesars Entertainment Operating Company, Inc. dated November 22, 2010	—	8-K	—	3.3	11/24/2010
3.2	Restated Certificate of Incorporation of Harrah's Operating Company, Inc. (f/k/a Embassy Suites, Inc.), as amended.	—	S-4	—	3.1	10/29/2008
3.3	Certificate of Amendment of Restated Certificate of Incorporation of Harrah's Operating Company, Inc., dated May 19, 2008.	—	10-K	12/31/2008	3.4	3/17/2009
3.4	Bylaws of Harrah's Operating Company, Inc., as amended.	—	S-4	—	3.4	10/29/2008
3.5	Second Amended and Restated Certificate of Incorporation of Caesars Entertainment Corporation, dated February 8, 2012	—	10-K	12/31/2011	3.7	3/15/2012
3.6	Amended Bylaws of Caesars Entertainment Corporation, as amended, dated February 8, 2012.	—	10-K	12/31/2011	3.8	3/15/2012
4.1	Certificate of Designation of Non-Voting Perpetual Preferred Stock of Harrah's Entertainment, Inc., dated January 28, 2008.	—	S-8	—	4.4	1/31/2008
4.2	Certificate of Amendment to the Certificate of Designation of Non-Voting Perpetual Preferred Stock of Harrah's Entertainment, Inc., dated March 29, 2010.	—	8-K	—	3.1	3/30/2010
4.3	Certificate of Elimination of Non-Voting Perpetual Preferred Stock of Harrah's Entertainment, Inc., dated March 29, 2010.	—	8-K	—	3.2	3/30/2010
4.4	Indenture, dated as of April 11, 2003, between Park Place Entertainment Corp., as Issuer, and U.S. Bank National Association, as Trustee, with respect to the 7% Senior Notes due 2013.	—	*S-4	—	4.1	4/29/2003
4.5	First Supplemental Indenture, dated as of June 13, 2005, between Harrah's 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.	—	10-Q	6/30/2005	4.22	8/9/2005

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4.6	Second Supplemental Indenture, dated as of July 28, 2005, among Harrah’s Entertainment, Inc., as Guarantor, Harrah’s Operating Company, Inc., as Issuer, and U.S. Bank National Association, as Trustee, to the Indenture, dated as of April 11, 2003, as amended and supplemented by a First Supplemental Indenture, dated as of June 13, 2005, with respect to the 7% Senior Notes due 2013.	—	8-K	—	4.7	8/2/2005
4.7	Indenture, dated as of December 11, 2003, between Harrah’s Operating Company, Inc., as Issuer, Harrah’s Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.375% Senior Notes due 2013.	—	10-K	12/31/2003	10.6	3/5/2004
4.8	Amended and Restated Indenture, dated as of July 28, 2005, among Harrah’s Entertainment, Inc., as Guarantor, Harrah’s Operating Company, Inc., as Issuer, and U.S. Bank National Association, as Trustee, relating to the Floating Rate Contingent Convertible Senior Notes due 2024.	—	8-K	—	4.8	8/2/2005
4.9	First Supplemental Indenture, dated as of September 9, 2005, to Amended and Restated Indenture, dated as of July 28, 2005, among Harrah’s Operating Company, Inc., as Issuer, Harrah’s Entertainment, Inc. as Guarantor, and U.S. Bank National Association, as Trustee, relating to the Floating Rate Contingent Convertible Senior Notes due 2024.	—	**S-3/A	—	4.7	9/19/2005
4.10	Second Supplemental Indenture, dated as of January 8, 2008, to Amended and Restated Indenture, dated as of July 28, 2005, among Harrah’s Operating Company, Inc., as Issuer, Harrah’s Entertainment, Inc. as Guarantor, and U.S. Bank National Association, as Trustee, relating to the Floating Rate Contingent Convertible Senior Notes due 2024.	—	10-K	12/31/2007	4.25	2/29/2008
4.11	Third Supplemental Indenture, dated as of January 28, 2008, to Amended and Restated Indenture, dated as of July 28, 2005, among Harrah’s Operating Company, Inc., as Issuer, Harrah’s Entertainment, Inc. as Guarantor, and U.S. Bank National Association, as Trustee, relating to the Floating Rate Contingent Convertible Senior Notes due 2024.	—	8-K	—	4.1	1/28/2008
4.12	Indenture, dated as of May 27, 2005, between Harrah’s Operating Company, Inc., as Issuer, Harrah’s Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.625% Senior Notes due 2015.	—	8-K	—	4.1	6/3/2005
4.13	First Supplemental Indenture, dated as of August 19, 2005, to Indenture, dated as of May 27, 2005, between Harrah’s Operating Company, Inc., as Issuer, Harrah’s Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.625% Senior Notes due 2015.	—	S-4	—	4.44	8/25/2005

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4.14	Second Supplemental Indenture, dated as of September 28, 2005, to Indenture, dated as of May 27, 2005, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.625% Senior Notes due 2015.	—	8-K	—	4.4	10/3/2005
4.15	Indenture dated as of September 28, 2005, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.75% Senior Notes due 2017.	—	8-K	—	4.1	10/3/2005
4.16	Indenture, dated as of June 9, 2006, between Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. National Bank Association, as Trustee, relating to the 6.50% Senior Notes due 2016.	—	8-K	—	4.1	6/14/2006
4.17	Officers' Certificate, dated as of June 9, 2006, pursuant to Sections 301 and 303 of the Indenture dated as of June 9, 2006 between Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. National Bank Association, as Trustee, relating to the 6.50% Senior Notes due 2016.	—	8-K	—	4.2	6/14/2006
4.18	Indenture, dated as of February 1, 2008, by and among Harrah's Operating Company, Inc., the Guarantors (as defined therein) and U.S. Bank National Association, as Trustee, relating to the 10.75% Senior Cash Pay Notes due 2016 and 10.75%/11.5% Senior Toggle Notes due 2018.	—	8-K	—	10.1	2/4/2008
4.19	First Supplemental Indenture, dated as of June 12, 2008, by and among Harrah's Operating Company, Inc., the Guarantors (as defined therein) and U.S. Bank National Association, as Trustee, relating to the 10.75% Senior Cash Pay Notes due 2016 and 10.75%/11.5% Senior Toggle Notes due 2018.	—	10-Q	6/30/2008	4.34	8/11/2008
4.20	Second Supplemental Indenture, dated as of January 9, 2009, by and among Harrah's Operating Company, Inc., the Guarantors (as defined therein) and U.S. Bank National Association, as Trustee relating to the 10.75% Senior Notes due 2016 and 10.75%/11.5% Senior Toggle Notes due 2018.	—	10-Q	3/31/2009	4.35	5/14/2009
4.21	First Supplemental Indenture, dated as of March 26, 2009, by and among Harrah's Operating Company, Inc., the Note Guarantors (as defined therein) and U.S. Bank National Association, as Trustee relating to the 10.75% Senior Notes due 2016 and 10.75%/11.5% Senior Toggle Notes due 2018.	—	8-K	—	4.1	3/31/2009

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4.22	Indenture, dated as of December 24, 2008, by and among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. Bank National Association, as Trustee, relating to the 10.00% Second-Priority Senior Secured Notes due 2018 and 10.00% Second-Priority Senior Secured Notes due 2015.	—	S-4/A	—	4.39	12/24/2008
4.23	First Supplemental Indenture, dated as of July 22, 2009, by and among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. Bank National Association, as Trustee, relating to the 10.00% Second-Priority Senior Secured Notes due 2018 and 10.00% Second-Priority Senior Secured Notes due 2015.	—	10-Q	6/30/2009	4.38	8/13/2009
4.24	Collateral Agreement, dated as of December 24, 2008, by and among Harrah's Operating Company, Inc. as Issuer, each Subsidiary of the Issuer identified therein, and U.S. Bank National Association, as Collateral Agent.	—	S-4/A	—	4.40	12/24/2008
4.25	Indenture, dated as of April 15, 2009, by and among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. Bank National Association, as trustee and collateral agent.	—	8-K	—	4.1	4/20/2009
4.26	First Supplemental Indenture, dated May 18, 2009, by and among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. Bank National Association, as trustee relating to the 10.00% Second-Priority Senior Secured Notes due 2018.	—	10-Q	6/30/2009	4.40	8/13/2009
4.27	Indenture, dated as of June 10, 2009, by and among Harrah's Operating Escrow LLC, Harrah's Escrow Corporation, Harrah's Entertainment, Inc. and U.S. Bank National Association, as trustee, relating to the 11.25% Senior Secured Notes due 2017.	—	8-K	—	4.1	6/15/2009
4.28	Supplemental Indenture, dated as of June 10, 2009, by and among Harrah's Operating Company, Inc. and U.S. Bank National Association, as trustee, relating to the 11.25% Senior Secured Notes due 2017.	—	8-K	—	4.2	6/15/2009
4.29	Second Supplemental Indenture, dated as of September 11, 2009, by and among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. Bank National Association, as trustee, relating to the 11.25% Senior Secured Notes due 2017.	—	8-K	—	4.1	9/17/2009
4.30	Indenture, dated as of April 16, 2010, by and among Harrah's Operating Escrow LLC, Harrah's Escrow Corporation, Harrah's Entertainment, Inc. and U.S. Bank National Association, as trustee, relating to the 12.75% Second-Priority Senior Secured Notes due 2018.	—	8-K	—	4.1	4/22/2010
4.31	Supplemental Indenture, dated as of May 20, 2010, by and among Harrah's Operating Company, Inc. and U.S. Bank National Association, as trustee	—	8-K	—	4.1	5/24/2010

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4.32	Stockholders' Agreement, dated as of January 28, 2008, by and among Apollo Hamlet Holdings, LLC, Apollo Hamlet Holdings B, LLC, TPG Hamlet Holdings, LLC, TPG Hamlet Holdings B, LLC, Co-Invest Hamlet Holdings, Series LLC, Co-Invest Hamlet Holdings B, LLC, Hamlet Holdings LLC and Harrah's Entertainment, Inc., and, solely with respect to Sections 3.01 and 6.07, Apollo Investment Fund VI, L.P. and TPG V Hamlet AIV, L.P.	—	8-K/A	—	10.14	2/7/2008
4.33	Services Agreement, dated as of January 28, 2008, by and among Harrah's Entertainment, Inc., Apollo Management VI, L.P., Apollo Alternative Assets, L.P. and TPG Capital, L.P.	—	8-K/A	—	10.15	2/7/2008
4.34	Supplemental Indenture, dated as of March 1, 2012, by and among Caesars Entertainment Operating Company, Inc. and U.S. Bank National Association, as trustee.	—	8-K	—	4.1	3/2/2012
4.35	Indenture dated as of February 3, 2012 among Chester Downs and Marina, LLC, a Pennsylvania limited liability company, Chester Downs Finance Corp., and, together with the Company, Subsidiary Guarantors party hereto from time to time, U.S. Bank National Association, as trustee and U.S. Bank National Association, as collateral agent.	—	10-K	12/31/2011	4.43	3/15/2012
4.36	Indenture, dated as of February 14, 2012, by and among Caesars Operating Escrow LLC, Caesars Escrow Corporation, Caesars Entertainment Corporation and U.S. Bank National Association, as trustee.	—	8-K	—	4.1	2/15/2012
4.37	Registration Rights Agreement, dated as of February 14, 2012, by and among Caesars Operating Escrow LLC, Caesars Escrow Corporation, Caesars Entertainment Corporation and J.P. Morgan Securities LLC, as representative of the initial purchasers.	—	8-K	—	4.2	2/15/2012
4.38	Registration Rights Agreement Joinder, dated as of March 1, 2012 (to the Registration Rights Agreement, dated as of February 14, 2012), by and among Caesars Entertainment Operating Company, Inc. and J.P. Morgan Securities LLC, as representative of the initial purchasers.	—	8-K	—	4.2	3/2/2012
4.39	Equity Distribution Agreement, dated April 12, 2012, between Caesars Entertainment Corporation, Citigroup Global Markets, Inc. and Credit Suisse Securities (USA) LLC.	—	8-K	—	1.1	4/13/2012
4.40	Indenture dated as of August 22, 2012 among Caesars Operating Escrow, LLC, Caesars Escrow Corporation, Caesars Entertainment Corporation, and U.S. Bank National Association, as trustee, related to the 9% Senior Secured Notes due 2020.	—	8-K	—	4.1	8/22/2012

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4.41	Registration Rights Agreement, dated as of August 22, 2012, by and among Caesars Operating Escrow, LLC, Caesars Escrow Corporation, Caesars Entertainment Corporation, and Citigroup Global Markets Inc. as representative of the initial purchasers.	—	8-K	—	4.2	8/22/2012
4.42	Supplemental Indenture, dated as of October 5, 2012, among Caesars Entertainment Operating Company, Inc., and U.S. Bank National Association, as trustee, related to the 9% Senior Notes due 2020.	—	8-K	—	4.1	10/10/2012
4.43	Joinder to Registration Rights Agreement, dated October 5, 2012 (to the Registration Rights Agreement, dated August 22, 2012) by and among Caesars Operating Escrow LLC, Caesars Escrow Corporation, Caesars Entertainment Corporation and Citigroup Global Markets, as representative of the several Initial Purchasers.	—	8-K	—	4.2	10/10/2012
10.1	Credit Agreement, dated as of January 28, 2008, by and among Hamlet Merger Inc., Harrah's Operating Company, Inc. as Borrower, the Lenders party thereto from time to time, Bank of America, N.A., as Administrative Agent and Collateral Agent, Deutsche Bank AG New York Branch, as Syndication Agent, and Citibank, N.A., Credit Suisse, Cayman Islands Branch, JPMorgan Chase Bank, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman Sachs Credit Partners L.P., Morgan Stanley Senior Funding, Inc., and Bear Sterns Corporate Lending, Inc., as Co-Documentation Agents.	—	8-K/A	—	10.1	2/7/2008
10.2	Amendment and Waiver to Credit Agreement, dated as of June 3, 2009, among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., the lenders from time to time party thereto (the "Lenders"), Bank of America, N.A. as administrative agent, and the other parties thereto.	—	8-K/A	—	10.1	6/11/2009
10.3	Incremental Facility Amendment, dated as of September 26, 2009 to the Credit Agreement dated as of January 28, 2008.	—	8-K	—	99.1	9/29/2009
10.4	Amended and Restated Collateral Agreement dated and effective as of January 28, 2008 (as amended and restated on June 10, 2009), among Harrah's Operating Company, Inc., each Subsidiary Party that is party thereto and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.3	6/15/2009
10.5	Amended and Restated Guaranty and Pledge Agreement dated and effective as of January 28, 2008 (as amended and restated on June 10, 2009), made by Harrah's Entertainment, Inc. (as successor to Hamlet Merger Inc.) in favor of Bank of America, N.A., as Administrative Agent and Collateral Agent.	—	8-K	—	10.4	6/15/2009

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10.6	Intercreditor Agreement, dated as of January 28, 2008 by and among Bank of America, N.A. as administrative agent and collateral agent under the Credit Agreement, Citibank, N.A. as administrative agent under the Bridge-Loan Agreement and U.S. Bank National Association as Trustee under the Indenture.	—	10-K	12/31/2008	10.3	3/17/2009
10.7	Intercreditor Agreement, dated as of December 24, 2008 among Bank of America, N.A. as Credit Agreement Agent, each Other First Priority Lien Obligations Agent from time to time, U.S. Bank National Association as Trustee and each collateral agent for any Future Second Lien Indebtedness from time to time.	—	10-K	12/31/2008	10.4	3/17/2009
10.8	Joinder and Supplement to the Intercreditor Agreement, dated as of April 15, 2009 by and among U.S. Bank National Association, as new trustee, U.S. Bank National Association, as Trustee under the Intercreditor Agreement, Bank of America, N.A., as Credit Agreement Agent under the Intercreditor Agreement, and any other First Lien Agent and Second Priority Agent from time to time party to the Intercreditor Agreement.	—	8-K	—	10.1	4/20/2009
10.9	First Lien Intercreditor Agreement, dated as of June 10, 2009, by and among Bank of America, N.A., as collateral agent for the First Lien Secured Parties and as Authorized Representative for the Credit Agreement Secured Parties, U.S. Bank National Association, as Authorized Representative for the Initial Other First Lien Secured Parties, and each additional Authorized Representative from time to time party to the First Lien Intercreditor Agreement.	—	8-K/A	—	10.1	6/11/2009
10.10	Joinder and Supplement to Intercreditor Agreement, by and among U.S. Bank National Association, as new trustee, U.S. Bank National Association, as Trustee under the Intercreditor Agreement, Bank of America, N.A., as Credit Agreement Agent under the Intercreditor Agreement, U.S. Bank National Association as a Second Priority Agent under the Intercreditor Agreement and any other First Lien Agent and Second Priority Agent from time to time party to the Intercreditor Agreement.	—	10-K	12/31/2008	10.4	3/17/2009
10.11	Joinder and Supplement to the Intercreditor Agreement, dated as of September 11, 2009 by and among U.S. Bank National Association, as new trustee, U.S. Bank National Association, as Trustee under the Intercreditor Agreement, Bank of America, N.A., as Credit Agreement Agent under the Intercreditor Agreement, and any other First Lien Agent and Second Priority Agent from time to time party to the Intercreditor Agreement.	—	8-K	—	10.1	9/17/2009

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10.12	Amendment Agreement, dated as of March 1, 2012, among Caesars Entertainment Corporation, Caesars Entertainment Operating Company, Inc. each Subsidiary Loan Party party thereto, the lenders party thereto and Bank of America, N.A., as administrative agent under the Amended and Restated Credit Agreement dated as of May 20, 2011, among Caesars Entertainment Corporation, Caesars Entertainment Operating Company, Inc., the lenders party thereto from time to time and the other parties party thereto.	—	8-K	—	10.1	3/2/2012
10.13	Reaffirmation Agreement, dated as of March 1, 2012, among Caesars Entertainment Corporation, Caesars Entertainment Operating Company, Inc. each Subsidiary Loan Party party thereto, the lenders party thereto and Bank of America, N.A., as administrative agent under the Amended and Restated Credit Agreement dated as of May 20, 2011, among Caesars Entertainment Corporation, Caesars Entertainment Operating Company, Inc., the lenders party thereto from time to time and the other parties party thereto.	—	8-K	—	10.2	3/2/2012
10.14	Joinder and Supplement to the Intercreditor Agreement, dated as of March 1, 2012, by and among U.S. Bank National Association, as new trustee, U.S. Bank National Association, as second priority agent, Bank of America, N.A., as credit agreement agent and U.S. Bank National Association, as other first priority lien obligations agent.	—	8-K	—	10.3	3/2/2012
10.15	Other First Lien Secured Party Consent to the Collateral Agreement, dated as of March 1, 2012, by U.S. Bank National Association, as agent or trustee for persons who shall become “Secured Parties” under the Collateral Agreement dated as of January 28, 2008, as amended and restated as of June 10, 2009.	—	8-K	—	10.4	3/2/2012
10.16	Other First Lien Secured Party Consent to the Guaranty and Pledge Agreement, dated as of March 1, 2012, by U.S. Bank National Association, as agent or trustee for persons who shall become “Secured Parties” under the Guaranty and Pledge Agreement dated as of January 28, 2008, as amended and restated as of June 10, 2009.	—	8-K	—	10.5	3/2/2012
10.17	Other First Lien Secured Party Consent, dated as of September 11, 2009, by U.S. Bank National Association, as agent or trustee for persons who shall become “Secured Parties” under the Amended and Restated Collateral Agreement dated and effective as of January 28, 2008 (as amended and restated on June 10, 2009).	—	8-K	—	10.2	9/17/2009
10.18	Other First Lien Secured Party Consent, dated as of September 11, 2009, by U.S. Bank National Association, as agent or trustee for persons who shall become “Secured Parties” under the Amended and Restated Guaranty and Pledge Agreement dated and effective as of January 28, 2008 (as amended and restated on June 10, 2009).	—	8-K	—	10.3	9/17/2009

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10.19	Amended and Restated Loan Agreement, dated as of February 19, 2010, between PHW Las Vegas, LLC and Wells Fargo Bank, N.A. as trustee for the Credit Suite First Boston Mortgage Securities Corp. Commercial Pass-Through Certificates, Series 2007-TFL2.	—	10-Q	3/31/2010	10.24	5/10/2010
10.20	Guaranty Agreement, dated February 19, 2010, by and between Harrah's Entertainment, Inc. and Wells Fargo Bank, N.A., as trustee for The Credit Suisse First Boston Mortgage Securities Corp. Commercial Mortgage Pass-Through Certificates, series 2007-TFL2.	—	8-K	—	99.1	2/25/2010
†10.21	Employment Agreement, made as of January 28, 2008, and amended on March 13, 2009, by and between Harrah's Entertainment, Inc. and Gary W. Loveman.	—	10-K	12/31/2008	10.16	3/17/2009
10.22	Financial Counseling Plan of Harrah's Entertainment, Inc., as amended January 1996.	—	10-K	12/31/1995	10.22	3/6/1996
†10.23	Harrah's Entertainment, Inc. 2009 Senior Executive Incentive Plan, effective January 1, 2009.	—	8-K	—	10.2	12/15/2008
10.24	Trust Agreement dated June 20, 2001 by and between Harrah's Entertainment, Inc. and Wells Fargo Bank Minnesota, N.A.	—	10-Q	9/30/2001	10.4	11/9/2001
10.25	Escrow Agreement, dated February 6, 1990, by and between The Promus Companies Incorporated, certain subsidiaries thereof, and Sovran Bank, as escrow agent	—	10-K	12/29/1989	Unknown	3/28/1990
10.26	Amendment to Escrow Agreement dated as of October 29, 1993 among The Promus Companies Incorporated, certain subsidiaries thereof, and NationsBank, formerly Sovran Bank.	—	10-K	12/31/1993	10.66	3/28/1994
10.27	Amendment, dated as of June 7, 1995, to Escrow Agreement among The Promus Companies Incorporated, certain subsidiaries thereof and NationsBank.	—	8-K	—	10.12	6/15/1995
10.28	Amendment, dated as of July 18, 1996, to Escrow Agreement between Harrah's Entertainment, Inc. and NationsBank.	—	10-Q	9/30/1996	10.1	11/12/1996
10.29	Amendment, dated as of October 30, 1997, to Escrow Agreement between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc. and NationsBank.	—	10-K	12/31/1997	10.82	3/10/1998
10.30	Amendment to Escrow Agreement, dated April 26, 2000, between Harrah's Entertainment, Inc. and Wells Fargo Bank Minnesota, N.A., Successor to Bank of America, N.A.	—	10-Q	9/30/2000	10.8	11/13/2000
10.31	Letter Agreement with Wells Fargo Bank Minnesota, N.A., dated August 31, 2000, concerning appointment as Escrow Agent under Escrow Agreement for deferred compensation plans.	—	10-Q	9/30/2000	10.7	11/13/2000

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†10.32	Harrah's Entertainment, Inc. Amended and Restated Executive Deferred Compensation Trust Agreement dated January 11, 2006 by and between Harrah's Entertainment, Inc. and Wells Fargo Bank, N.A.	—	10-K	12/31/2007	10.41	2/29/2008
†10.33	Amendment to the Harrah's Entertainment, Inc. Amended and Restated Executive Deferred Compensation Trust Agreement effective January 28, 2008 by and between Harrah's Entertainment, Inc. and Wells Fargo Bank, N.A.	—	10-K	12/31/2007	10.42	2/29/2008
†10.34	Amendment and Restatement of Harrah's Entertainment, Inc. Executive Deferred Compensation Plan, effective August 3, 2007.	—	10-Q	6/30/2007	10.69	8/9/2007
†10.35	Amendment and Restatement of Harrah's Entertainment, Inc. Deferred Compensation Plan, effective as of August 3, 2007.	—	10-Q	6/30/2007	10.70	8/9/2007
†10.36	Amendment and Restatement of Park Place Entertainment Corporation Executive Deferred Compensation Plan, effective as of August 3, 2007.	—	10-Q	6/30/2007	10.71	8/9/2007
†10.37	Amendment and Restatement of Harrah's Entertainment, Inc. Executive Supplemental Savings Plan, effective as of August 3, 2007.	—	10-Q	6/30/2007	10.72	8/9/2007
†10.38	Amendment and Restatement of Harrah's Entertainment, Inc. Executive Supplemental Savings Plan II, effective as of August 3, 2007.	—	10-Q	6/30/2007	10.73	8/9/2007
†10.39	First Amendment to the Amendment and Restatement of Harrah's Entertainment, Inc. Amendment and Restatement of Harrah's Entertainment, Inc. Executive Supplemental Savings Plan II, effective as of February 9, 2009.	—	8-K	—	10.2	2/13/2009
†10.40	Stock Option Grant Agreement dated February 27, 2008 between Gary W. Loveman and Harrah's Entertainment, Inc.	—	10-Q	6/30/2008	10.52	8/11/2008
†10.41	Stock Option Grant Agreement dated February 27, 2008 between Thomas M. Jenkin and Harrah's Entertainment, Inc.	—	10-Q	6/30/2008	10.56	8/11/2008
†10.42	Form of Stock Option Grant Agreement dated July 1, 2008 between Harrah's Entertainment, Inc. and each of Lynn C. Swann and Christopher J. Williams.	—	10-Q	6/30/2008	10.57	8/11/2008
†10.43	Form of Stock Option Grant Agreement dated March 1, 2010 between Harrah's Entertainment, Inc. and each of Thomas M. Jenkin, John W. R. Payne, Peter E. Murphy, and Mary H. Thomas.	—	10-K	12/31/2009	10.61	3/9/2010
10.44	Joinder and Supplement to the Intercreditor Agreement, dated as of May 20, 2010, by and among U.S. Bank National Association, as new trustee, U.S. Bank National Association, as second priority agent, Bank of America, N.A., as credit agreement agent and U.S. Bank national Association, as other first priority lien obligations agent.	—	8-K	—	10.1	5/24/2010

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10.45	Additional Secured Party Consent, dated as of May 20, 2010, by U.S. Bank National Association, as agent or trustee for persons who shall become “Secured Parties” under the Collateral Agreement dated as of December 24, 2008.	—	8-K	—	10.2	5/24/2010
10.46	Investment and Exchange Agreement, dated as of June 3, 2010, among Harrah’s Entertainment, Inc., Harrah’s BC, Inc. and Paulson & Co, Inc., on behalf of the several investment funds and accounts managed by it.	—	8-K	—	10.1	6/7/2010
10.47	Investment and Exchange Agreement, dated as of June 3, 2010, among Harrah’s Entertainment, Inc., Harrah’s BC, Inc. Apollo Management VI, L.P., on behalf of certain affiliated investment funds, and TPG Capital, L.P., on behalf of certain affiliated investment funds.	—	8-K	—	10.1	6/7/2010
10.48	Second Amended and Restated Loan Agreement dated as of August 31, 2010, among Harrah’s Las Vegas Propco, LLC, Harrah’s Atlantic City Propco, LLC, Rio Propco, LLC, Flamingo Las Vegas Propco, LLC, Harrah’s Laughlin Propco, LLC, and Paris Las Vegas Propco, LLC, as Borrower, JPMorgan Chase Bank, N.A., Bank of America, N.A., Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Merrill Lynch Mortgage Lending, Inc., Goldman Sachs Mortgage Company, Morgan Stanley Mortgage Capital Holdings LLC, German American Capital Corporation, and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.1	9/3/2010
10.49	Second Amended and Restated First Mezzanine Loan Agreement dated as of August 31, 2010, among Harrah’s Las Vegas Mezz 1, LLC, Harrah’s Atlantic City Mezz 1, LLC, Rio Mezz 1, LLC, Flamingo Las Vegas Mezz 1, LLC, Harrah’s Laughlin Mezz 1, LLC, and Paris Las Vegas Mezz 1, LLC, as Borrower, JPMorgan Chase Bank, N.A., Bank of America, N.A., Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Merrill Lynch Mortgage Lending, Inc., Goldman Sachs Mortgage Company, Blackstone Special Funding (Ireland), and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.2	9/3/2010
10.50	Second Amended and Restated Second Mezzanine Loan Agreement dated as of August 31, 2010, among Harrah’s Las Vegas Mezz 2, LLC, Harrah’s Atlantic City Mezz 2, LLC, Rio Mezz 2, LLC, Flamingo Las Vegas Mezz 2, LLC, Harrah’s Laughlin Mezz 2, LLC, and Paris Las Vegas Mezz 2, LLC, as Borrower, JPMorgan Chase Bank, N.A., Bank of America, N.A., Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Merrill Lynch Mortgage Lending, Inc., Goldman Sachs Mortgage Company, Blackstone Special Funding (Ireland), and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.3	9/3/2010

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10.51	Second Amended and Restated Third Mezzanine Loan Agreement dated as of August 31, 2010, among Harrah's Las Vegas Mezz 3, LLC, Harrah's Atlantic City Mezz 3, LLC, Rio Mezz 3, LLC, Flamingo Las Vegas Mezz 3, LLC, Harrah's Laughlin Mezz 3, LLC, and Paris Las Vegas Mezz 3, LLC, as Borrower, JPMorgan Chase Bank, N.A., Bank of America, N.A., Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Merrill Lynch Mortgage Lending, Inc., Goldman Sachs Mortgage Company, Blackstone Special Funding (Ireland), and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.4	9/3/2010
10.52	Second Amended and Restated Fourth Mezzanine Loan Agreement dated as of August 31, 2010, among Harrah's Las Vegas Mezz 4, LLC, Harrah's Atlantic City Mezz 4, LLC, Rio Mezz 4, LLC, Flamingo Las Vegas Mezz 4, LLC, Harrah's Laughlin Mezz 4, LLC, and Paris Las Vegas Mezz 4, LLC, as Borrower, JPMorgan Chase Bank, N.A., Bank of America, N.A., Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Merrill Lynch Mortgage Lending, Inc., Goldman Sachs Mortgage Company, Blackstone Special Funding (Ireland), and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.5	9/3/2010
10.53	Second Amended and Restated Fifth Mezzanine Loan Agreement dated as of August 31, 2010, among Harrah's Las Vegas Mezz 5, LLC, Harrah's Atlantic City Mezz 5, LLC, Rio Mezz 5, LLC, Flamingo Las Vegas Mezz 5, LLC, Harrah's Laughlin Mezz 5, LLC, and Paris Las Vegas Mezz 5, LLC, as Borrower, Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Goldman Sachs Mortgage Company, Blackstone Special Funding (Ireland), German American Capital Corporation, and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.6	9/3/2010
10.54	Second Amended and Restated Sixth Mezzanine Loan Agreement dated as of August 31, 2010, among Harrah's Las Vegas Mezz 6, LLC, Harrah's Atlantic City Mezz 6, LLC, Rio Mezz 6, LLC, Flamingo Las Vegas Mezz 6, LLC, Harrah's Laughlin Mezz 6, LLC, and Paris Las Vegas Mezz 6, LLC, as Borrower, Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Goldman Sachs Mortgage Company, German American Capital Corporation, and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.7	9/3/2010

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10.55	Second Amended and Restated Seventh Mezzanine Loan Agreement dated as of August 31, 2010, among Harrah's Las Vegas Mezz 7, LLC, Harrah's Atlantic City Mezz 7, LLC, Rio Mezz 7, LLC, Flamingo Las Vegas Mezz 7, LLC, Harrah's Laughlin Mezz 7, LLC, and Paris Las Vegas Mezz 7, LLC, as Borrower, Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Goldman Sachs Mortgage Company, and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.8	9/3/2010
10.56	Second Amended and Restated Eighth Mezzanine Loan Agreement dated as of August 31, 2010, among Harrah's Las Vegas Mezz 8, LLC, Harrah's Atlantic City Mezz 8, LLC, Rio Mezz 8, LLC, Flamingo Las Vegas Mezz 8, LLC, Harrah's Laughlin Mezz 8, LLC, and Paris Las Vegas Mezz 8, LLC, as Borrower, Goldman Sachs Mortgage Company, and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.9	9/3/2010
10.57	Second Amended and Restated Ninth Mezzanine Loan Agreement dated as of August 31, 2010, among Harrah's Las Vegas Mezz 9, LLC, Harrah's Atlantic City Mezz 9, LLC, Rio Mezz 9, LLC, Flamingo Las Vegas Mezz 9, LLC, Harrah's Laughlin Mezz 9, LLC, and Paris Las Vegas Mezz 9, LLC, as Borrower, Goldman Sachs Mortgage Company, and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.10	9/3/2010
10.58	Note Sales Agreement dated as of August 31, 2010, among each first mezzanine lender, each second mezzanine lender, each third mezzanine lender, fourth mezzanine lender, fifth mezzanine lender, sixth mezzanine lender, seventh mezzanine lender, eighth mezzanine lender and ninth mezzanine lender, and specified mezzanine lender, Harrah's Entertainment, Inc., each Mortgage Loan Borrower, each Mezzanine Borrower and each Operating Company.	—	8-K	—	10.11	9/3/2010
10.59	Form of Management Agreement entered into between each Mortgage Loan Borrower and its respective Operating Company.	—	8-K	—	10.12	9/3/2010
10.60	Form of Amended and Restated Operating Lease (Hotel Component) entered into between each Mortgage Loan Borrower, its respective Operating Company and its respective Management Company.	—	8-K	—	10.13	9/3/2010
10.61	Form of Amended and Restated Operating Lease (Casino Component) entered into between each Mortgage Loan Borrower, its respective Operating Company and its respective Management Company.	—	8-K	—	10.14	9/3/2010

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10.62	Agreement Among Mortgage Noteholders, dated August 31, 2010, among JPMorgan Chase Bank, N.A., as Note A-1 Holder, Bank of America, N.A., as Note A-2 Holder, Citibank, N.A., as Note A-3 Holder, Credit Suisse, Cayman Islands Branch, as Note A-4 Holder, German American Capital Corporation, as Note A-5 Holder, Merrill Lynch Mortgage Lending, Inc., as Note A-6 Holder, JP Morgan Chase Bank, N.A., as Note A-7 Holder, Goldman Sachs Mortgage Company, as Note A-9 Holder, Bank of America, N.A., as Collateral Agent, and Bank of America, N.A. as Servicer.	—	8-K	—	10.15	9/3/2010
10.63	Agreement Among First Mezzanine Noteholders, dated August 31, 2010, among JPMorgan Chase Bank, N.A., Bank of America, N.A., Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Merrill Lynch Mortgage Lending, Inc., Goldman Sachs Mortgage Company, Blackstone Special Funding (Ireland), and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.16	9/3/2010
10.64	Agreement Among Second Mezzanine Noteholders, dated August 31, 2010, among JPMorgan Chase Bank, N.A., Bank of America, N.A., Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Merrill Lynch Mortgage Lending, Inc., Goldman Sachs Mortgage Company, Blackstone Special Funding (Ireland), and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.17	9/3/2010
10.65	Agreement Among Third Mezzanine Noteholders, dated August 31, 2010, among JPMorgan Chase Bank, N.A., Bank of America, N.A., Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Merrill Lynch Mortgage Lending, Inc., Goldman Sachs Mortgage Company, Blackstone Special Funding (Ireland), and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.18	9/3/2010
10.66	Agreement Among Fourth Mezzanine Noteholders, dated August 31, 2010, among JPMorgan Chase Bank, N.A., Bank of America, N.A., Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Merrill Lynch Mortgage Lending, Inc., Goldman Sachs Mortgage Company, Blackstone Special Funding (Ireland), and Bank of America, N.A., as Collateral Agent. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K filed on September 3, 2010.)	—	8-K	—	10.19	9/3/2010
10.67	Agreement Among Fifth Mezzanine Noteholders, dated August 31, 2010, among Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Goldman Sachs Mortgage Company, Blackstone Special Funding (Ireland), German American Capital Corporation, and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.20	9/3/2010

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10.68	Agreement Among Sixth Mezzanine Noteholders, dated August 31, 2010, among Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Goldman Sachs Mortgage Company, German American Capital Corporation, and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.21	9/3/2010
10.69	Agreement Among Seventh Mezzanine Noteholders, dated August 31, 2010, among Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Goldman Sachs Mortgage Company, and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.22	9/3/2010
10.70	Intercreditor Agreement, dated August 31, 2010, among the senior lender, first mezzanine lender, second mezzanine lender, third mezzanine lender, fourth mezzanine lender, fifth mezzanine lender, sixth mezzanine lender, seventh mezzanine lender, eighth mezzanine lender, and ninth mezzanine lender.	—	8-K	—	10.23	9/3/2010
†10.71	Form of Indemnification Agreement entered into by Caesars Entertainment Corporation and each of its directors and executive officers.	—	S-1	—	10.75	11/16/2010
10.72	Irrevocable Proxy of Hamlet Holdings LLC, dated November 22, 2010	—	8-K	—	10.1	11/24/2010
10.73	Amended and Restated Management Investors Rights Agreement, dated November 22, 2010	—	8-K	—	10.2	11/24/2010
10.74	Registration Rights Agreement, dated as of November 23, 2010, by and between Caesars Entertainment Corporation and Paulson & Co. Inc., on behalf of the several investment funds and accounts managed by it	—	8-K	—	10.3	11/24/2010
10.75	Credit Agreement dated as of April 25, 2011 between the Company, the Borrowers, the lenders (as defined therein) party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent for the lenders.	—	8-K	—	10.1	4/27/2011
10.76	Completion Guarantee dated as of April 25, 2011 by the Company in favor of JPMorgan Chase Bank, N.A., as administrative agent and collateral agent for the lenders (as defined therein).	—	8-K	—	10.2	4/27/2011
10.77	Disbursement Agreement dated as of April 25, 2011 between the Borrowers, JPMorgan Chase Bank, N.A. as disbursement agent and agent and Fulcrum LLC as construction consultant.	—	8-K	—	10.3	4/27/2011

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10.78	Amendment Agreement dated as of May 20, 2011, among Caesars Entertainment Corporation, Caesars Entertainment Operating Company, Inc. each Subsidiary Loan Party party thereto, the lenders party thereto and Bank of America, N.A., as administrative agent under the Credit Agreement dated as of January 28, 2008, among Caesars Entertainment Corporation, Caesars Entertainment Operating Company, Inc., the lenders party thereto from time to time and the other parties party thereto.	—	8-K/A	—	10.1	5/23/2011
†10.79	Caesars Entertainment Corporation Management Equity Incentive Plan, as amended and restated on November 29, 2011.	—	S-1/A	—	10.78	12/28/2011
†10.80	Form of Employment Agreement between Caesars Entertainment Operating Company, Inc., and Jonathan S. Halkyard, Thomas M. Jenkin, and John W. R. Payne.	—	8-K	—	10.1	1/9/2012
†10.81	Employment Agreement, made as of January 31, 2011, by and between Caesars Entertainment Operating Company, Inc. and Mary H. Thomas.	—	S-1/A	—	10.84	1/27/2012
†10.82	Caesars Entertainment Corporation 2012 Performance Incentive Plan.	—	S-1/A	—	10.89	2/2/2012
10.83	Form of Release and Contribution Agreement, dated as of January 25, 2012, by and among Caesars Entertainment Corporation, Co-Invest Hamlet Holdings, Series LLC, Co-Invest Hamlet Holdings B, LLC and the Participating Co-Investors listed on Schedule I.	—	S-1/A	—	10.90	2/2/2012
10.84	Form of First Amendment to the Stockholders' Agreement by and among Apollo Hamlet Holdings, LLC, Apollo Hamlet Holdings B, LLC, TPG Hamlet Holdings, LLC, TPG Hamlet Holdings B, LLC, Co-Invest Hamlet Holdings, Series LLC, Co-Invest Hamlet Holdings B, LLC, Hamlet Holdings LLC and Caesars Entertainment Corporation.	—	S-1/A	—	10.91	2/2/2012
10.85	Form of Acknowledgment to the Services Agreement among Caesars Entertainment Corporation, Apollo Management VI, L.P., Apollo Alternative Assets, L.P. and TPG Capital, L.P.	—	S-1/A	—	10.92	2/2/2012
10.86	Escrow Agreement, dated as of February 14, 2012, by and among Caesars Operating Escrow LLC, Caesars Escrow Corporation, U.S. Bank National Association, as escrow agent and securities intermediary and U.S. Bank National Association, as trustee.	—	8-K	—	10.1	2/15/2012
†10.87	Form of Stock Option Grant Agreement dated April 16, 2012 between Caesars Entertainment Corporation and Gary W. Loveman.	—	10-Q	3/31/2012	10.96	5/9/2012

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†10.88	Amendment No.1 to the Caesars Entertainment Corporation 2012 Performance Incentive Plan	—	8-K	—	10.1	7/25/2012
†10.89	Form of Caesars Entertainment Corporation 2012 Performance Incentive Plan Nonqualified Option Award Agreement	—	SC-TO-I	—	(d)(3)	7/25/2012
†10.90	Form of Caesars Entertainment Corporation 2012 Performance Incentive Plan Nonqualified Option Award Agreement (Replacement Options)	—	SC-TO-I	—	(d)(4)	7/25/2012
†10.91	Form of Caesars Entertainment Corporation 2012 Performance Incentive Plan Nonqualified Option Award Agreement (Replacement Options Granted to Gary W. Loveman)	—	SC-TO-I	—	(d)(5)	7/25/2012
†10.92	Form of Caesars Entertainment Corporation Management Equity Incentive Plan Stock Option Grant Agreement	—	SC-TO-I	—	(d)(7)	7/25/2012
†10.93	Form of Amendment to Caesars Entertainment Corporation Management Equity Incentive Plan Stock Option Grant Agreement	—	SC-TO-I	—	(d)(8)	7/25/2012
†10.94	Equity Interest Purchase Agreement with Exhibits A-F with Penn National Gaming, Inc., Caesars Entertainment Operating Company, Inc., Harrah’s Maryland Heights Operating Company, Players Maryland Heights Nevada, LLC and Harrah’s Maryland Heights, LLC, dated May 7, 2012.	—	10-Q	6/30/2012	10.102	8/8/2012
10.95	Escrow Agreement, dated as of August 22, 2012, among U.S. Bank National Association, as escrow agent and securities intermediary, U.S. Bank National Association, as Trustee, Caesars Escrow Corporation, and Caesars Operating Escrow LLC.	—	8-K	—	10.1	8/22/2012
10.96	Reaffirmation Agreement, dated as of October 5, 2012, among Caesars Entertainment Corporation, Caesars Entertainment Operating Company, Inc. each Subsidiary Loan Party party thereto, the lenders party thereto and Bank of America, N.A., as administrative agent under the Amended and Restated Credit Agreement dated as of May 20, 2011, among Caesars Entertainment Corporation, Caesars Entertainment Operating Company, Inc., the lenders party thereto from time to time and the other parties party thereto.	—	8-K	—	10.1	10/10/2012
10.97	Joinder and Supplement to the Intercreditor Agreement, dated as of October 5, 2012, by and among U.S. Bank National Association, as new trustee, U.S. Bank National Association, as second priority agent, Bank of America, N.A., as credit agreement agent and U.S. Bank National Association, as other first priority lien obligations agent.	—	8-K	—	10.2	10/10/2012

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10.98	Other First Lien Secured Party Consent to the Collateral Agreement, dated as of October 5, 2012, by U.S. Bank National Association, as agent or trustee for persons who shall become “Secured Parties” under the Collateral Agreement dated as of January 28, 2008, as amended and restated as of June 10, 2009.	—	8-K	—	10.3	10/10/2012
10.99	Other First Lien Secured Party Consent to the Guaranty and Pledge Agreement, dated as of October 5, 2012, by U.S. Bank National Association, as agent or trustee for persons who shall become “Secured Parties” under the Guaranty and Pledge Agreement dated as of January 28, 2008, as amended and restated as of June 10, 2009.	—	8-K	—	10.4	10/10/2012
†10.100	2012 Performance Incentive Plan Nonqualified Option Award Agreement, dated September 12, 2012 between Caesars Entertainment Corporation and Gary W. Loveman.	X				
†10.101	2012 Performance Incentive Plan Nonqualified Option Award Agreement, dated September 10, 2012 between Caesars Entertainment Corporation and John Payne.	X				
14	Harrah’s Entertainment, Inc. Code of Business Conduct and Ethics for Principal Officers, adopted February 26, 2003.	—	10-K	12/31/2002	14	3/9/2003
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 8, 2012.	X	—	—	—	—
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 8, 2012.	X	—	—	—	—
32.1	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated November 8, 2012.	X	—	—	—	—
32.2	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated November 8, 2012.	X	—	—	—	—
99.1	Supplemental Discussion of the Financial Results of Caesars Entertainment Operating Company, Inc.	X	—	—	—	—
99.2	Supplemental Discussion of the Financial Results of Caesars Entertainment’s Commercial Mortgage-Backed Securities Related Properties	X	—	—	—	—
***101	The following financial statements from the Company’s Form 10-Q for the quarter ended September 30, 2012, formatted in XBRL: (i) Consolidated Condensed Balance Sheets, (ii) Consolidated Condensed Statements of Comprehensive Loss, (iii) Consolidated Condensed Statement of Stockholders’ Equity (iv) Consolidated Condensed Statements of Cash Flows (v) Notes to Consolidated Condensed Financial Statements.	—	—	—	—	—

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- † 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 by Park Place Entertainment Corporation
- ** Filed by Harrah's Entertainment, Inc.
- *** Furnished herewith.

**CAESARS ENTERTAINMENT CORPORATION
2012 PERFORMANCE INCENTIVE PLAN
NONQUALIFIED OPTION AWARD AGREEMENT**

THIS NONQUALIFIED OPTION AWARD AGREEMENT (the "Agreement") is made by and between Caesars Entertainment Corporation, a Delaware corporation (the "Corporation"), and the "Participant" on the date set forth on the final page of this Agreement. Any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan.

WHEREAS, the Corporation has adopted the Caesars Entertainment Corporation 2012 Performance Incentive Plan (the "Plan"), pursuant to which stock options may be granted; and

WHEREAS, the Administrator has determined that it is in the best interests of the Corporation and its stockholders to grant the Option provided for herein to Participant subject to the terms set forth herein.

NOW, THEREFORE, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of Option.

(a) Grant. The Corporation hereby grants to Participant, on the Date of Grant (as set forth on the final page of this Agreement) an Option (the "Option") to purchase the number of shares of Common Stock of the Corporation set forth on the final page of this Agreement (such shares, the "Option Shares"), on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan, consisting of the following:

(i) That portion of the Option identified on the final page of this Agreement as the "Time-Based Option;"

(ii) That portion of the Option identified on the final page of this Agreement as the "\$35.00 Price Target Performance-Based Option;" and

(iii) That portion of the Option identified on the final page of this Agreement as the "\$57.41 Price Target Performance-Based Option," and together with the \$35.00 Price Target Performance-Based Option, the "Performance-Based Option."

The Option is not intended to qualify as an ISO. The price at which Participant shall be entitled to purchase the Option Shares upon the exercise of all or any portion of the Option, shall be as set forth on the final page of this Agreement (the "Exercise Price").

(b) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement

shall be construed in accordance with the provisions of the Plan and any interpretations, amendments, rules and regulations promulgated by the Administrator from time to time pursuant to the Plan. The Administrator shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations under them, and its decisions shall be binding and conclusive upon Participant and his legal representative in respect of any questions arising under the Plan or this Agreement.

(c) Acceptance of Agreement. In order to accept this Agreement, Participant must indicate acceptance of the Option and acknowledgment that the terms of the Plan and this Agreement have been read and understood by signing and returning a copy of this Agreement as instructed by the Corporation. By accepting this Agreement, Participant consents to the electronic delivery of prospectuses, annual reports and other information required to be delivered by Securities and Exchange Commission rules (which consent may be revoked in writing by Participant at any time upon three business days' notice to the Corporation, in which case subsequent prospectuses, annual reports and other information will be delivered in hard copy to Participant).

2. Vesting.

(a) Vesting Schedule. Except as may otherwise be provided herein, subject to Participant's continued employment or service with the Corporation or one of its Subsidiaries, the Option shall become vested and exercisable on the dates set forth on the final page of this Agreement, subject to the conditions set forth herein.

(b) Accelerated Vesting of a Portion of the Time-Based Option on Death and Disability. Upon the termination of Participant's employment or service due to Participant's death or Disability, the portion of the Time-Based Option that would have vested on the anniversary of the Date of Grant that immediately follows the date of termination will become vested and exercisable on such termination of employment or service.

(c) Accelerated Vesting of the Time-Based Option on a Qualifying Termination. In the event that Participant's employment or service is terminated as the result of a Qualifying Termination (as defined below), 100% of the then-outstanding Time-Based Option held by Participant shall immediately vest and become exercisable as of such Qualifying Termination.

(d) Special Provisions on a Change in Control – Performance-Based Option. If, in connection with a contemplated Change in Control (as defined below), the Committee determines, using such methodologies and parameters and taking into account such factors as it, in its sole discretion, deems appropriate, that the expected price per share of the Common Stock to be achieved upon such Change in Control would result in all or a portion of the Performance-Based Option vesting and becoming exercisable, the Performance-Based Option shall be deemed vested to the applicable extent immediately prior to the occurrence of such Change in Control and solely for the purpose of permitting Participant to participate in such Change in Control, such vesting and participation to be contingent upon the actual occurrence of such Change in Control.

(e) Definition of Cause. For purposes of this Agreement, “Cause” shall have the meaning given to such term in the Plan.

(f) Definition of Change in Control. For purposes of this Agreement, “Change in Control” shall mean the occurrence of any of the following events: (i) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Corporation on a consolidated basis to any Person (as defined below) or group of related persons for purposes of Section 13(d) of the Exchange Act (a “Group”), together with any affiliates thereof other than to a Majority Stockholder (as defined below); (ii) the approval by the holders of the outstanding voting securities of the Corporation of any plan or proposal for the liquidation or dissolution of the Corporation; (iii) any Person or Group (other than a Majority Stockholder) shall become the beneficial owner (within the meaning of Section 13(d) of the Exchange Act), directly or indirectly, of common stock representing more than 50% of the combined voting power of the Corporation entitled to vote generally in the election of directors; (iv) the replacement of a majority of the Board over a two-year period of the directors who constituted the Board at the beginning of such period, and such replacement shall not have been approved by a vote of at least a majority of the Board then still in office who either were members of such Board at the beginning of such period or whose election as a member of such Board was previously so approved or who were nominated by, or designees of, a Majority Stockholder; or (v) consummation of a merger, consolidation or other transaction involving the Corporation following which the Majority Stockholder does not hold capital stock or other securities of the surviving corporation (A) with voting power to elect a majority of the surviving entity’s board of directors or (B) representing at least 50% of the equity securities of the surviving entity.

(g) Definition of Good Reason. For purposes of this Agreement, “Good Reason” shall have the meaning given to such term in the Plan.

(h) Definition of Majority Stockholder. For purposes of this Agreement, “Majority Stockholder” shall mean, collectively or individually as the context requires, TPG Capital, L.P., Apollo Global Management, LLC and/or their respective affiliates.

(i) Definition of Non-Renewal Termination. For purposes of this Agreement, “Non-Renewal Termination” means a termination of Participant’s employment by the Corporation due to the delivery by the Corporation of a notice of non-renewal of his employment agreement.

(j) Definition of Person. For purposes of this Agreement, “Person” shall mean an individual, partnership, corporation, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

(k) Definition of Qualifying Termination. For purposes of this Agreement, “Qualifying Termination” shall mean, with respect to Participant, (i) a termination of Participant’s employment or service due to death or Disability or (ii) a termination of Participant’s employment or service by the Corporation without Cause or by Participant for Good Reason or (iii) a Non-Renewal Termination, in the case of each of clauses (i), (ii) and (iii), within the three-year period following a Change in Control.

3. Termination of Employment or Service. Except as otherwise provided herein or in an employment agreement (or similar agreement) between Participant and the Corporation or any of its Subsidiaries in effect on the Date of Grant, if Participant's employment or service with the Corporation or any Subsidiary, as applicable, terminates for any reason, then (a) the unvested portion of the Option shall be cancelled immediately and Participant shall immediately forfeit any rights to the Option Shares subject to such unvested portion, (b) the vested portion of the Option shall be forfeited under the circumstances described in the Plan, and (c) the vested portion of the Option that is not forfeited shall remain outstanding and exercisable until the date of expiration as set forth in Section 4 below.

4. Expiration.

(a) Termination Provisions. In no event shall all or any portion of the Option be exercisable after the tenth anniversary of the Date of Grant (the 'Option Period'), and if, prior to the end of the Option Period, Participant's employment or service with the Corporation and all Subsidiaries is terminated for any reason then the Option shall expire on the earliest of (i) the commencement of business on the date Participant's employment or service is terminated for Cause; (ii) one year following the termination of Participant's employment or service by reason of Participant's death; (iii) 180 days following the termination of Participant's employment or service by reason of Participant's Disability or Retirement; (iv) 120 days after the date Participant's employment or service is terminated (A) by the Corporation or its Subsidiaries for any reason other than Cause, death or Disability or (B) by Participant for Good Reason or (C) as a result of a Non-Renewal Termination; or (v) 60 days following the termination of Participant's employment or service by Participant without Good Reason. In addition, if Participant voluntarily terminates employment or service with the Corporation and its Subsidiaries, the Option will terminate immediately (and sooner than set forth above) on the commencement of business on the date Participant joins a Competitor. For purposes of this Agreement, "Competitor" shall mean any Person engaged in the casino business (or any hotel or resort that operates a casino business) in the United States, Canada or Mexico or any other geographic location in which the Corporation or its Subsidiaries is engaged in the casino business at the time Participant's employment or service with the Corporation and its Subsidiaries ends.

(b) Special Termination Provisions for Performance-Based Option. Notwithstanding the provisions of Section 4(a), if Participant's employment or service is terminated by the Corporation or a Subsidiary other than for Cause, or if Participant terminates his employment or service for Good Reason, or in the event of Participant's Non-Renewal Termination, in each case prior to the date on which Participant's Performance-Based Option has fully vested, Participant's Performance-Based Option will remain eligible to vest according to its terms for a period of six months following such date of termination, provided, that, if the Corporation is party to a written agreement or binding letter of intent at the time of such termination, or enters into such a written agreement or binding letter of intent during the three month period immediately following such termination, the consummation of which would result in the occurrence of a Change in Control, Participant's Performance-Based Option shall remain eligible to vest until such Change in Control is consummated or the written agreement or binding letter of intent is terminated. For purposes of clarification, if there is no vesting event after the termination of Participant's employment or service without Cause or for Good Reason or as a result of Participant's Non-Renewal

Termination and prior to the scheduled expiration date of the Performance-Based Option, the Performance-Based Option will terminate on the scheduled expiration date. In the event that the Performance-Based Option becomes exercisable by operation of this Section 4(b), such Performance-Based Option shall remain exercisable until the shorter of (i) six months following the date on which the Performance-Based Option becomes exercisable and (ii) the 10th anniversary of the Date of Grant. The Corporation shall use its reasonable efforts to notify Participant if he is no longer an employee, director or consultant of the Corporation or any Subsidiary of the occurrence of a vesting event that results in the vesting of all or a portion of the Performance-Based Option.

5. Method of Exercise.

(a) Any portion of the Option that has become exercisable may be exercised by delivery of a duly executed written notice of exercise to the Corporation at its principal business office using such form(s) as may be required from time to time by the Corporation.

(b) No Option Shares shall be delivered pursuant to any exercise of the Option until payment in full of the Exercise Price therefor is received by the Corporation in accordance with Section 5.5 of the Plan and Participant has paid to the Corporation an amount equal to any federal, state, local and non-U.S. income and employment taxes required to be withheld in accordance with Section 8.5 of the Plan. In addition, the Corporation will permit Participant (or his permitted transferee pursuant to Section 5.7 of the Plan, guardian or legal representative, if applicable) to exercise all or any portion of his then-exercisable Option through cashless exercise (as permitted under the Management Investor Rights Agreement (as defined below), if applicable) or, with the consent of the Administrator, a reduction in the number of Option Shares otherwise deliverable pursuant to the Option (to satisfy the exercise price but not any applicable withholding taxes, unless (i) Participant's employment or service terminates due to his death or Disability or is terminated by the Corporation or its Subsidiaries without Cause or by Participant for Good Reason or as a result of a Non-Renewal Termination or (ii) Participant's Performance-Based Option becomes exercisable by virtue of the operation of Section 4(b), in which case Participant may use cashless exercise (as permitted under the Management Investor Rights Agreement, if applicable) or, with the consent of the Administrator, a reduction in the number of Option Shares otherwise deliverable pursuant to the Option, to satisfy the minimum amount of withholding taxes due on exercise), but only to the extent such right or the utilization of such right would not cause the Option to be subject to Section 409A of the Code.

(c) Subject to Section 8.1 of the Plan, upon the exercise of the Option and, prior to the occurrence of an Initial Public Offering (as defined below), no Option Shares shall be issued to or recorded in the name of Participant until Participant agrees to be bound by and executes the Management Investor Rights Agreement.

(d) For purposes of this Agreement, "Initial Public Offering" shall be deemed to occur on the effective date of the first registration statement (other than (i) a registration relating to an employee benefit plan or employee stock plan, a dividend reinvestment plan, or a merger or a consolidation (including without limitation a registration relating to an employee investment or rollover opportunity or participation in this Plan), (ii) a registration incidental to an issuance of securities under Rule 144A, (iii) a registration on Form S-4 or any successor form, or (iv) a

registration on Form S-8 or any successor form) filed to register at least 10% of the total then-outstanding equity interests in the Corporation under the Securities Act. The fact that the Corporation has a class of equity securities registered under the Exchange Act shall not constitute an Initial Public Offering.

(e) For purposes of this Agreement, "Management Investor Rights Agreement" shall mean the Amended and Restated Management Investor Rights Agreement, among the Corporation and certain of its stockholders, as may be amended from time to time, or such other stockholders' agreement as may be entered into between the Corporation and any participant in the Plan.

6. Rights as a Stockholder. Participant shall not be deemed for any purpose to be the owner of any shares subject to this Option unless, until and to the extent that (a) the Corporation shall have issued and delivered to Participant the Option Shares, (b) Participant's name shall have been entered as a stockholder of record with respect to such Option Shares on the books of the Corporation, and (c) prior to the occurrence of an Initial Public Offering, Participant agrees to be bound by and executes the Management Investor Rights Agreement.

7. Compliance with Legal Requirements.

(a) Generally. The granting, vesting and exercising of the Option, delivery of Option Shares upon such exercise, and any other obligations of the Corporation under this Agreement, shall be subject to all applicable federal, provincial, state, local and foreign laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. The Administrator shall have the right to impose such restrictions on the Option as it deems necessary or advisable under applicable federal securities laws, the rules and regulations of any stock exchange or market upon which shares of Common Stock are then listed or traded, and/or any blue sky or state securities laws applicable to such shares. Participant agrees to take all steps the Administrator or the Corporation determines are necessary to comply with all applicable provisions of federal and state securities law in exercising his rights under this Agreement.

(b) Tax Withholding. The exercise of the Option (or any portion thereof) shall be subject to Participant satisfying any applicable federal, state, local and foreign tax withholding obligations. The Corporation shall have the power and the right to require Participant to remit to the Corporation or deduct or withhold from all amounts payable to Participant in connection with the Option or otherwise, an amount sufficient to satisfy any applicable taxes required by law. Further, the Corporation may permit or require Participant to satisfy, in whole or in part, the tax obligations by withholding shares of Common Stock that otherwise would be received upon exercise of the Option.

8. Miscellaneous.

(a) Transferability. The Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant other than to: (i) Participant's beneficiaries or estate upon the death of Participant (by will, by the laws of descent and distribution or otherwise), (ii) pursuant to a qualified domestic relations order if approved or ratified by the Administrator, (iii) subject to the prior written consent of the Administrator, not to

be unreasonably withheld, and compliance with all applicable tax, securities and other laws, any trust or custodianship created by Participant for estate planning purposes, the beneficiaries of which may include only Participant or Participant's family members (as defined in Form S-8), or (iv) as otherwise permitted under Section 5.7.2 or 5.7.3 of the Plan.

(b) Waiver. Any right of the Corporation contained in this Agreement may be waived in writing by the Administrator. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

(c) Section 409A. The Option is not intended to be subject to Section 409A of the Code. Notwithstanding the foregoing or any provision of the Plan or this Agreement, if any provision of the Plan or this Agreement contravenes Section 409A of the Code or could cause Participant to incur any tax, interest or penalties under Section 409A of the Code, the Administrator may, in its sole discretion and without Participant's consent, modify such provision to (i) comply with, or avoid being subject to, Section 409A of the Code, or to avoid the incurrence of taxes, interest and penalties under Section 409A of the Code, and/or (ii) maintain, to the maximum extent practicable, the original intent and economic benefit to Participant of the applicable provision without materially increasing the cost to the Corporation or contravening the provisions of Section 409A of the Code. This Section 8(c) does not create an obligation on the part of the Corporation to modify the Plan or this Agreement and does not guarantee that the Option or the Option Shares will not be subject to interest and penalties under Section 409A.

(d) Notices. Any written notices provided for in this Agreement or the Plan shall be in writing and shall be deemed sufficiently given if either hand delivered or if sent by fax, pdf/email or overnight courier, or by postage paid first class mail. Notices sent by mail shall be deemed received three business days after mailing but in no event later than the date of actual receipt. Notices shall be directed, if to Participant, at Participant's address indicated by the Corporation's records, or if to the Corporation, to the Corporation's principal business office.

(e) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(f) No Rights to Employment or Service. Nothing contained in this Agreement shall be construed as giving Participant any right to be retained, in any position, as an employee or consultant of the Corporation or its Subsidiaries or shall interfere with or restrict in any way the right of the Corporation or its Subsidiaries, which is hereby expressly reserved, to remove, terminate or discharge Participant at any time for any reason whatsoever.

(g) No Rights to Award. The grant to Participant of the Option pursuant to this Agreement shall not give Participant any claim or rights to be granted any future award or additional awards under the Plan, subject to any express contractual rights (set forth in a document other than the Plan and this Agreement) to the contrary.

(h) Fractional Shares. No fractional shares shall be delivered under this Agreement. In lieu of issuing a fraction of a share in settlement of the exercised Option, the Corporation shall be entitled to pay to Participant an amount in cash equal to the fair market value (as defined in the Plan) of such fractional share.

(i) Beneficiary. Participant may file with the Administrator a written designation of a beneficiary on such form as may be prescribed by the Administrator and may, from time to time, amend or revoke such designation. If no validly designated beneficiary survives Participant, Participant's estate shall be deemed to be Participant's beneficiary.

(j) Bound by Plan. By signing this Agreement, Participant acknowledges that Participant has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(k) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Corporation and its successors and assigns, and of Participant and the beneficiaries, executors, administrators, heirs and successors of Participant.

(l) Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto. No change, modification or waiver of any provision of this Agreement shall be valid unless the same be in writing and signed by the parties hereto, except for any changes permitted without consent under Section 8.6.4 of the Plan.

(m) Governing Law. This Agreement shall be governed, construed and interpreted in accordance with the laws of the State of Delaware without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the State of Delaware.

(n) Captions. The captions and headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Corporation and Participant have executed this Agreement as set forth below.

CAESARS ENTERTAINMENT CORPORATION

By: /s/ Emily Gaines
Name: Emily Gaines
Title: VP Compensation & Benefits
Date: 9/20/2012

Agreed to and Accepted by:

/s/ Gary W. Loveman
Participant: Gary W. Loveman

Date: 09/12/2012

Number of Option Shares subject to Time-Based Option: 2,191,542

Number of Option Shares subject to \$35.00 Price Target Performance-Based Option: 478,375

Number of Option Shares subject to \$57.41 Price Target Performance-Based Option: 768,709

Exercise Price for Time-Based Option:

With respect to that portion of the Time-Based Option vesting on or prior to the second anniversary of the Date of Grant (other than the Immediately Vested Portion (as defined below)), the Exercise Price per Option Share shall be \$20.09 per share until the second anniversary of the Date of Grant, at which time the Exercise Price shall be \$8.22 per Option Share for all Option Shares subject to the Option.

The Exercise Price per Option Share for the remainder of the Time-Based Option shall be \$8.22 per Option Share.

Exercise Price for Performance-Based Option:

\$8.22 per Option Share

Date of Grant:

August 21, 2012

Vesting Schedule Applicable to Time-Based Option:

The Time-Based Option shall be vested and exercisable with respect to 20% of the Option Shares subject the Time-Based Option on the Date of Grant (the "Immediately Vested Portion") and 20% of the Option Shares subject to the Time-Based Option shall vest and become exercisable on each of the first four anniversaries of the Date of Grant thereafter, subject to Participant's continued employment or service with the Corporation or one of its Subsidiaries on each such vesting date.

Vesting Schedule Applicable to \$35.00 Price Target Performance-Based Option:

The \$35.00 Price Target Performance-Based Option shall vest and become exercisable on the date on which the \$35.00 Price Target (as defined below) is achieved. For purposes of this Agreement, the "\$35.00 Price Target" shall be achieved if the simple average of the last reported sale prices (or closing prices, if applicable) per share of the Option Shares as reported by the Nasdaq Stock Market (or any other automated quotation service or national securities exchange upon which the Option Shares may then be quoted or listed for trading) for the thirty (30) calendar day period ending on the day immediately preceding the date of determination (with such sale prices or closing prices adjusted appropriately for any stock splits, stock dividends, reverse stock splits, stock combinations and the like occurring during such thirty (30) calendar day period), is equal to or greater than \$35.00, subject to Participant's continued employment or service with the Corporation or one of its Subsidiaries on such vesting date.

Vesting Schedule Applicable to \$57.41 Price Target Performance-Based Option: The \$57.41 Price Target Performance-Based Option shall vest and become exercisable on the date on which the \$57.41 Price Target (as defined below) is achieved. For purposes of this Agreement, the “\$57.41 Price Target” shall be achieved if the simple average of the last reported sale prices (or closing prices, if applicable) per share of the Option Shares as reported by the Nasdaq Stock Market (or any other automated quotation service or national securities exchange upon which the Option Shares may then be quoted or listed for trading) for the thirty (30) calendar day period ending on the day immediately preceding the date of determination (with such sale prices or closing prices adjusted appropriately for any stock splits, stock dividends, reverse stock splits, stock combinations and the like occurring during such thirty (30) calendar day period), is equal to or greater than \$57.41, subject to Participant’s continued employment or service with the Corporation or one of its Subsidiaries on such vesting date.

**CAESARS ENTERTAINMENT CORPORATION
2012 PERFORMANCE INCENTIVE PLAN
NONQUALIFIED OPTION AWARD AGREEMENT**

THIS NONQUALIFIED OPTION AWARD AGREEMENT (the "Agreement") is made by and between Caesars Entertainment Corporation, a Delaware corporation (the "Corporation"), and the "Participant" on the date set forth on the final page of this Agreement. Any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan.

WHEREAS, the Corporation has adopted the Caesars Entertainment Corporation 2012 Performance Incentive Plan (the "Plan"), pursuant to which stock options may be granted; and

WHEREAS, the Administrator has determined that it is in the best interests of the Corporation and its stockholders to grant the Option provided for herein to Participant subject to the terms set forth herein.

NOW, THEREFORE, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of Option.

(a) Grant. The Corporation hereby grants to Participant, on the Date of Grant (as set forth on the final page of this Agreement) an Option (the "Option") to purchase the number of shares of Common Stock of the Corporation set forth on the final page of this Agreement (such shares, the "Option Shares"), on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan, consisting of the following:

(i) That portion of the Option identified on the final page of this Agreement as the "Time-Based Option;"

(ii) That portion of the Option identified on the final page of this Agreement as the "\$35.00 Price Target Performance-Based Option;" and

(iii) That portion of the Option identified on the final page of this Agreement as the "\$57.41 Price Target Performance-Based Option," and together with the \$35.00 Price Target Performance-Based Option, the "Performance-Based Option."

The Option is not intended to qualify as an ISO. The price at which Participant shall be entitled to purchase the Option Shares upon the exercise of all or any portion of the Option, shall be as set forth on the final page of this Agreement (the "Exercise Price").

(b) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any interpretations,

amendments, rules and regulations promulgated by the Administrator from time to time pursuant to the Plan. The Administrator shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations under them, and its decisions shall be binding and conclusive upon Participant and his or her legal representative in respect of any questions arising under the Plan or this Agreement.

(c) Acceptance of Agreement. In order to accept this Agreement, Participant must indicate acceptance of the Option and acknowledgment that the terms of the Plan and this Agreement have been read and understood by signing and returning a copy of this Agreement as instructed by the Corporation. By accepting this Agreement, Participant consents to the electronic delivery of prospectuses, annual reports and other information required to be delivered by Securities and Exchange Commission rules (which consent may be revoked in writing by Participant at any time upon three business days' notice to the Corporation, in which case subsequent prospectuses, annual reports and other information will be delivered in hard copy to Participant).

2. Vesting.

(a) Vesting Schedule. Except as may otherwise be provided herein, subject to Participant's continued employment or service with the Corporation or one of its Subsidiaries, the Option shall become vested and exercisable on the dates set forth on the final page of this Agreement, subject to the conditions set forth herein.

(b) Accelerated Vesting of a Portion of the Time-Based Option on Death and Disability. Upon the termination of Participant's employment or service due to Participant's death or Disability, the portion of the Time-Based Option that would have vested on the anniversary of the Date of Grant that immediately follows the date of termination will become vested and exercisable on such termination of employment or service.

(c) Accelerated Vesting of the Time-Based Option on a Qualifying Termination. In the event that Participant's employment or service is terminated as the result of a Qualifying Termination (as defined below), 100% of the then-outstanding Time-Based Option held by Participant shall immediately vest and become exercisable as of such Qualifying Termination.

(d) Special Provisions on a Change in Control – Performance-Based Option. If, in connection with a contemplated Change in Control (as defined below), the Committee determines, using such methodologies and parameters and taking into account such factors as it, in its sole discretion, deems appropriate, that the expected price per share of the Common Stock to be achieved upon such Change in Control would result in all or a portion of the Performance-Based Option vesting and becoming exercisable, the Performance-Based Option shall be deemed vested to the applicable extent immediately prior to the occurrence of such Change in Control and solely for the purpose of permitting Participant to participate in such Change in Control, such vesting and participation to be contingent upon the actual occurrence of such Change in Control.

(e) Definition of Cause. For purposes of this Agreement, "Cause" shall have the meaning given to such term in the Plan.

(f) Definition of Change in Control. For purposes of this Agreement, “Change in Control” shall mean the occurrence of any of the following events: (i) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Corporation on a consolidated basis to any Person (as defined below) or group of related persons for purposes of Section 13(d) of the Exchange Act (a “Group”), together with any affiliates thereof other than to a Majority Stockholder (as defined below); (ii) the approval by the holders of the outstanding voting securities of the Corporation of any plan or proposal for the liquidation or dissolution of the Corporation; (iii) any Person or Group (other than a Majority Stockholder) shall become the beneficial owner (within the meaning of Section 13(d) of the Exchange Act), directly or indirectly, of common stock representing more than 50% of the combined voting power of the Corporation entitled to vote generally in the election of directors; (iv) the replacement of a majority of the Board over a two-year period of the directors who constituted the Board at the beginning of such period, and such replacement shall not have been approved by a vote of at least a majority of the Board then still in office who either were members of such Board at the beginning of such period or whose election as a member of such Board was previously so approved or who were nominated by, or designees of, a Majority Stockholder; or (v) consummation of a merger, consolidation or other transaction involving the Corporation following which the Majority Stockholder does not hold capital stock or other securities of the surviving corporation (A) with voting power to elect a majority of the surviving entity’s board of directors or (B) representing at least 50% of the equity securities of the surviving entity.

(g) Definition of Good Reason. For purposes of this Agreement, “Good Reason” shall have the meaning given to such term in the Plan.

(h) Definition of Majority Stockholder. For purposes of this Agreement, “Majority Stockholder” shall mean, collectively or individually as the context requires, TPG Capital, L.P., Apollo Global Management, LLC and/or their respective affiliates.

(i) Definition of Person. For purposes of this Agreement, “Person” shall mean an individual, partnership, corporation, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

(j) Definition of Qualifying Termination. For purposes of this Agreement, “Qualifying Termination” shall mean, with respect to Participant, (i) a termination of Participant’s employment or service due to death or Disability or (ii) a termination of Participant’s employment or service by the Corporation without Cause or by Participant for Good Reason or (iii) if Participant is a party to an effective employment agreement with the Corporation or a Subsidiary of the Corporation, a termination of Participant’s employment or service due to the delivery by the Corporation to Participant of a notice of nonrenewal of such employment agreement, in the case of each of clauses (i), (ii) and (iii), within the three-year period following a Change in Control.

3. Termination of Employment or Service. Except as otherwise provided herein or in an employment agreement (or similar agreement) between Participant and the Corporation or any

of its Subsidiaries in effect on the Date of Grant, if Participant's employment or service with the Corporation or any Subsidiary, as applicable, terminates for any reason, then (a) the unvested portion of the Option shall be cancelled immediately and Participant shall immediately forfeit any rights to the Option Shares subject to such unvested portion, (b) the vested portion of the Option shall be forfeited under the circumstances described in the Plan, and (c) the vested portion of the Option that is not forfeited shall remain outstanding and exercisable until the date of expiration as set forth in Section 4 below.

4. Expiration.

(a) Termination Provisions. In no event shall all or any portion of the Option be exercisable after the tenth anniversary of the Date of Grant (the 'Option Period'), and if, prior to the end of the Option Period, Participant's employment or service with the Corporation and all Subsidiaries is terminated for any reason then the Option shall expire on the earliest of (i) the commencement of business on the date Participant's employment or service is terminated for Cause; (ii) one year following the termination of Participant's employment or service by reason of Participant's death; (iii) 180 days following the termination of Participant's employment or service by reason of Participant's Disability or Retirement; (iv) 120 days after the date Participant's employment or service is terminated (A) by the Corporation or its Subsidiaries for any reason other than Cause, death or Disability or (B) by Participant for Good Reason; or (v) 60 days following the termination of Participant's employment or service by Participant without Good Reason. In addition, the Option will terminate immediately (and sooner than set forth above) (i) if Participant does not have an effective employment agreement with the Corporation or a Subsidiary and Participant voluntarily terminates employment or service with the Corporation and its Subsidiaries without Good Reason, on the commencement of business on the date Participant joins a Competitor (as defined below) and (ii) if Participant has an effective employment or severance agreement with the Corporation or a Subsidiary and Participant voluntarily terminates employment or service with the Corporation and its Subsidiaries, on the commencement of business on the date Participant joins a Competitor. For purposes of this Agreement, "Competitor" shall mean any Person engaged in the casino business (or any hotel or resort that operates a casino business) in the United States, Canada or Mexico or any other geographic location in which the Corporation or its Subsidiaries is engaged in the casino business at the time Participant's employment or service with the Corporation and its Subsidiaries ends.

(b) Special Termination Provisions for Performance-Based Option. Notwithstanding the provisions of Section 4(a), if Participant's employment or service is terminated by the Corporation or a Subsidiary other than for Cause, or if Participant terminates his or her employment or service for Good Reason prior to the date on which Participant's Performance-Based Option has fully vested, Participant's Performance-Based Option will remain eligible to vest according to its terms for a period of six months following such date of termination, provided, that, if the Corporation is party to a written agreement or binding letter of intent at the time of such termination, or enters into such a written agreement or binding letter of intent during the three month period immediately following such termination, the consummation of which would result in the occurrence of a Change in Control, Participant's Performance-Based Option shall remain eligible to vest until such Change in Control is consummated or the written agreement or binding letter of intent is terminated. For purposes of clarification, if there is no

vesting event after the termination of Participant's employment or service without Cause or for Good Reason and prior to the scheduled expiration date of the Performance-Based Option, the Performance-Based Option will terminate on the scheduled expiration date. In the event that the Performance-Based Option becomes exercisable by operation of this Section 4(b), such Performance-Based Option shall remain exercisable until the shorter of (i) six months following the date on which the Performance-Based Option becomes exercisable and (ii) the 10th anniversary of the Date of Grant. The Corporation shall use its reasonable efforts to notify Participant if he or she is no longer an employee, director or consultant of the Corporation or any Subsidiary of the occurrence of a vesting event that results in the vesting of all or a portion of the Performance-Based Option.

5. Method of Exercise.

(a) Any portion of the Option that has become exercisable may be exercised by delivery of a duly executed written notice of exercise to the Corporation at its principal business office using such form(s) as may be required from time to time by the Corporation.

(b) No Option Shares shall be delivered pursuant to any exercise of the Option until payment in full of the Exercise Price therefor is received by the Corporation in accordance with Section 5.5 of the Plan and Participant has paid to the Corporation an amount equal to any federal, state, local and non-U.S. income and employment taxes required to be withheld in accordance with Section 8.5 of the Plan. In addition, the Corporation will permit Participant (or his or her permitted transferee pursuant to Section 5.7 of the Plan, guardian or legal representative, if applicable) to exercise all or any portion of his or her then-exercisable Option through cashless exercise (as permitted under the Management Investor Rights Agreement (as defined below), if applicable) or, with the consent of the Administrator, a reduction in the number of Option Shares otherwise deliverable pursuant to the Option (to satisfy the exercise price but not any applicable withholding taxes, unless (i) Participant's employment or service terminates due to his death or Disability or is terminated by the Corporation or its Subsidiaries without Cause or by Participant for Good Reason or (ii) Participant's Performance-Based Option becomes exercisable by virtue of the operation of Section 4(b), in which case Participant may use cashless exercise (as permitted under the Management Investor Rights Agreement, if applicable) or, with the consent of the Administrator, a reduction in the number of Option Shares otherwise deliverable pursuant to the Option, to satisfy the minimum amount of withholding taxes due on exercise), but only to the extent such right or the utilization of such right would not cause the Option to be subject to Section 409A of the Code.

(c) Subject to Section 8.1 of the Plan, upon the exercise of the Option and, prior to the occurrence of an Initial Public Offering (as defined below), no Option Shares shall be issued to or recorded in the name of Participant until Participant agrees to be bound by and executes the Management Investor Rights Agreement.

(d) For purposes of this Agreement, "Initial Public Offering" shall be deemed to occur on the effective date of the first registration statement (other than (i) a registration relating to an employee benefit plan or employee stock plan, a dividend reinvestment plan, or a merger or a consolidation (including without limitation a registration relating to an employee investment or rollover opportunity or participation in this Plan), (ii) a registration incidental to an issuance of

securities under Rule 144A, (iii) a registration on Form S-4 or any successor form, or (iv) a registration on Form S-8 or any successor form) filed to register at least 10% of the total then-outstanding equity interests in the Corporation under the Securities Act. The fact that the Corporation has a class of equity securities registered under the Exchange Act shall not constitute an Initial Public Offering.

(e) For purposes of this Agreement, "Management Investor Rights Agreement" shall mean the Amended and Restated Management Investor Rights Agreement, among the Corporation and certain of its stockholders, as may be amended from time to time, or such other stockholders' agreement as may be entered into between the Corporation and any participant in the Plan.

6. Rights as a Stockholder. Participant shall not be deemed for any purpose to be the owner of any shares subject to this Option unless, until and to the extent that (a) the Corporation shall have issued and delivered to Participant the Option Shares, (b) Participant's name shall have been entered as a stockholder of record with respect to such Option Shares on the books of the Corporation, and (c) prior to the occurrence of an Initial Public Offering, Participant agrees to be bound by and executes the Management Investor Rights Agreement.

7. Compliance with Legal Requirements.

(a) Generally. The granting, vesting and exercising of the Option, delivery of Option Shares upon such exercise, and any other obligations of the Corporation under this Agreement, shall be subject to all applicable federal, provincial, state, local and foreign laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. The Administrator shall have the right to impose such restrictions on the Option as it deems necessary or advisable under applicable federal securities laws, the rules and regulations of any stock exchange or market upon which shares of Common Stock are then listed or traded, and/or any blue sky or state securities laws applicable to such shares. Participant agrees to take all steps the Administrator or the Corporation determines are necessary to comply with all applicable provisions of federal and state securities law in exercising his or her rights under this Agreement.

(b) Tax Withholding. The exercise of the Option (or any portion thereof) shall be subject to Participant satisfying any applicable federal, state, local and foreign tax withholding obligations. The Corporation shall have the power and the right to require Participant to remit to the Corporation or deduct or withhold from all amounts payable to Participant in connection with the Option or otherwise, an amount sufficient to satisfy any applicable taxes required by law. Further, the Corporation may permit or require Participant to satisfy, in whole or in part, the tax obligations by withholding shares of Common Stock that otherwise would be received upon exercise of the Option.

8. Miscellaneous.

(a) Transferability. The Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant other than to: (i) Participant's beneficiaries or estate upon the death of Participant (by will, by the laws of descent and distribution or otherwise), (ii) pursuant to a qualified domestic relations order if approved or

ratified by the Administrator, (iii) subject to the prior written consent of the Administrator, not to be unreasonably withheld, and compliance with all applicable tax, securities and other laws, any trust or custodianship created by Participant for estate planning purposes, the beneficiaries of which may include only Participant or Participant's family members (as defined in Form S-8), or (iv) as otherwise permitted under Section 5.7.2 or 5.7.3 of the Plan.

(b) Waiver. Any right of the Corporation contained in this Agreement may be waived in writing by the Administrator. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

(c) Section 409A. The Option is not intended to be subject to Section 409A of the Code. Notwithstanding the foregoing or any provision of the Plan or this Agreement, if any provision of the Plan or this Agreement contravenes Section 409A of the Code or could cause Participant to incur any tax, interest or penalties under Section 409A of the Code, the Administrator may, in its sole discretion and without Participant's consent, modify such provision to (i) comply with, or avoid being subject to, Section 409A of the Code, or to avoid the incurrence of taxes, interest and penalties under Section 409A of the Code, and/or (ii) maintain, to the maximum extent practicable, the original intent and economic benefit to Participant of the applicable provision without materially increasing the cost to the Corporation or contravening the provisions of Section 409A of the Code. This Section 8(c) does not create an obligation on the part of the Corporation to modify the Plan or this Agreement and does not guarantee that the Option or the Option Shares will not be subject to interest and penalties under Section 409A.

(d) Notices. Any written notices provided for in this Agreement or the Plan shall be in writing and shall be deemed sufficiently given if either hand delivered or if sent by fax, pdf/email or overnight courier, or by postage paid first class mail. Notices sent by mail shall be deemed received three business days after mailing but in no event later than the date of actual receipt. Notices shall be directed, if to Participant, at Participant's address indicated by the Corporation's records, or if to the Corporation, to the Corporation's principal business office.

(e) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(f) No Rights to Employment or Service. Nothing contained in this Agreement shall be construed as giving Participant any right to be retained, in any position, as an employee or consultant of the Corporation or its Subsidiaries or shall interfere with or restrict in any way the right of the Corporation or its Subsidiaries, which is hereby expressly reserved, to remove, terminate or discharge Participant at any time for any reason whatsoever.

(g) No Rights to Award. The grant to Participant of the Option pursuant to this Agreement shall not give Participant any claim or rights to be granted any future award or additional awards under the Plan, subject to any express contractual rights (set forth in a document other than the Plan and this Agreement) to the contrary.

(h) Fractional Shares. No fractional shares shall be delivered under this Agreement. In lieu of issuing a fraction of a share in settlement of the exercised Option, the Corporation shall be entitled to pay to Participant an amount in cash equal to the fair market value (as defined in the Plan) of such fractional share.

(i) Beneficiary. Participant may file with the Administrator a written designation of a beneficiary on such form as may be prescribed by the Administrator and may, from time to time, amend or revoke such designation. If no validly designated beneficiary survives Participant, Participant's estate shall be deemed to be Participant's beneficiary.

(j) Bound by Plan. By signing this Agreement, Participant acknowledges that Participant has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(k) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Corporation and its successors and assigns, and of Participant and the beneficiaries, executors, administrators, heirs and successors of Participant.

(l) Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto. No change, modification or waiver of any provision of this Agreement shall be valid unless the same be in writing and signed by the parties hereto, except for any changes permitted without consent under Section 8.6.4 of the Plan.

(m) Governing Law. This Agreement shall be governed, construed and interpreted in accordance with the laws of the State of Delaware without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the State of Delaware.

(n) Captions. The captions and headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Corporation and Participant have executed this Agreement as set forth below.

CAESARS ENTERTAINMENT CORPORATION

By: /s/ Emily Gaines
Name: Emily Gaines
Title: VP Compensation & Benefits
Date: 10/3/2012

Agreed to and Accepted by:

/s/ John Payne

Participant: [Name of Participant]

Date: 09/10/2012

Number of Option Shares subject to Time-Based Option: 244,379

Number of Option Shares subject to \$35.00 Price Target Performance-Based Option: 25,808

Number of Option Shares subject to \$57.41 Price Target Performance-Based Option: 25,808

Exercise Price for Time-Based Option:

With respect to that portion of the Time-Based Option vesting on or prior to the second anniversary of the Date of Grant (other than the Immediately Vested Portion (as defined below)), the Exercise Price per Option Share shall be \$20.09 per share until the second anniversary of the Date of Grant, at which time the Exercise Price shall be \$8.22 per Option Share for all Option Shares subject to the Option.

The Exercise Price per Option Share for the remainder of the Time-Based Option shall be \$8.22 per Option Share.

Exercise Price for Performance-Based Option:

\$8.22 per Option Share

Date of Grant:

August 21, 2012

Vesting Schedule Applicable to Time-Based Option:

The Time-Based Option shall be vested and exercisable with respect to 20% of the Option Shares subject the Time-Based Option on the Date of Grant (the "Immediately Vested Portion") and 20% of the Option Shares subject to the Time-Based Option shall vest and become exercisable on each of the first four anniversaries of the Date of Grant thereafter, subject to Participant's continued employment or service with the Corporation or one of its Subsidiaries on each such vesting date.

Vesting Schedule Applicable to \$35.00 Price Target Performance-Based Option:

The \$35.00 Price Target Performance-Based Option shall vest and become exercisable on the date on which the \$35.00 Price Target (as defined below) is achieved. For purposes of this Agreement, the "\$35.00 Price Target" shall be achieved if the simple average of the last reported sale prices (or closing prices, if applicable) per share of the Option Shares as reported by the Nasdaq Stock Market (or any other automated quotation service or national securities exchange upon which the Option Shares may then be quoted or listed for trading) for the thirty (30) calendar day period ending on the day immediately preceding the date of determination (with such sale prices or closing prices adjusted appropriately for any stock splits, stock dividends, reverse stock splits, stock combinations and the like occurring during such thirty (30) calendar day period), is equal to or greater than \$35.00, subject to Participant's continued employment or service with the Corporation or one of its Subsidiaries on such vesting date.

Vesting Schedule Applicable to \$57.41 Price Target Performance-Based Option: The \$57.41 Price Target Performance-Based Option shall vest and become exercisable on the date on which the \$57.41 Price Target (as defined below) is achieved. For purposes of this Agreement, the “\$57.41 Price Target” shall be achieved if the simple average of the last reported sale prices (or closing prices, if applicable) per share of the Option Shares as reported by the Nasdaq Stock Market (or any other automated quotation service or national securities exchange upon which the Option Shares may then be quoted or listed for trading) for the thirty (30) calendar day period ending on the day immediately preceding the date of determination (with such sale prices or closing prices adjusted appropriately for any stock splits, stock dividends, reverse stock splits, stock combinations and the like occurring during such thirty (30) calendar day period), is equal to or greater than \$57.41, subject to Participant’s continued employment or service with the Corporation or one of its Subsidiaries on such vesting date.

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 8, 2012

By: _____
 /s/ GARY W. LOVEMAN
 Gary W. Loveman
 Chairman of the Board, Chief Executive Officer, and President

I, Diane E. Wilfong, 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 8, 2012

By: _____ /s/ DIANE E. WILFONG
 Diane E. Wilfong
 Senior Vice President, Controller, and Chief Accounting 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, 2012 (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 8, 2012

/s/ GARY W. LOVEMAN

Gary W. Loveman

Chairman of the Board, Chief Executive Officer, and President

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Certification of Principal Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Caesars Entertainment Corporation (the "Company"), hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2012 (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 8, 2012

/S/ DIANE E. WILFONG

Diane E. Wilfong

Senior Vice President, Controller and Chief Accounting 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 the Financial Results of Caesars Entertainment Operating Company, Inc.

In January 2008, Caesars Entertainment Corporation (“Caesars Entertainment” or “Caesars”) was acquired by affiliates of Apollo Global Management, LLC and TPG Capital, LP in an all-cash transaction (the “Acquisition”). A substantial portion of the financing of the Acquisition is comprised of bank and bond financing obtained by Caesars Entertainment Operating Company, Inc. (for purposes of this Exhibit, “CEOC”, the “Company,” “we,” “our,” or “us,” and including our subsidiaries when the context requires), a wholly-owned subsidiary of Caesars Entertainment. This financing is neither secured nor guaranteed by Caesars Entertainment’s other wholly-owned subsidiaries, including certain subsidiaries that own properties that are secured under \$4,829.1 million face value of commercial mortgage-backed securities 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.

OPERATING RESULTS FOR CEOC**Overall CEOC Results**

The following tables represent CEOC’s unaudited consolidated condensed balance sheets as of September 30, 2012 and December 31, 2011 and its unaudited consolidated condensed statements of operations for the quarters and nine months ended September 30, 2012 and 2011, and unaudited consolidated condensed statements of cash flows for the nine months ended September 30, 2012 and 2011.

CAESARS ENTERTAINMENT OPERATING COMPANY, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)
(In millions)

	<u>September 30, 2012</u>	<u>December 31, 2011</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 988.8	\$ 600.0
Restricted cash	762.5	39.9
Receivables, net	439.7	430.5
Deferred income taxes	156.4	156.1
Prepayments and other current assets	119.8	103.3
Inventories	37.1	34.0
Assets held for sale	9.7	11.6
Total current assets	2,514.0	1,375.4
Property and equipment, net	11,648.4	12,064.2
Goodwill	1,352.0	1,619.2
Intangible assets other than goodwill	3,439.5	3,705.8
Investments in and advances to non-consolidated affiliates	107.1	90.2
Restricted cash	212.1	377.1
Deferred charges and other	531.6	532.4
Assets held for sale	592.3	593.4
	<u>\$ 20,397.0</u>	<u>\$ 20,357.7</u>
Liabilities and Stockholder's Deficit		
Current liabilities		
Accounts payable	\$ 288.4	\$ 256.7
Interest payable	367.9	193.1
Accrued expenses	796.6	746.0
Current portion of long-term debt	788.3	40.4
Liabilities held for sale	8.2	10.1
Total current liabilities	2,249.4	1,246.3
Long-term debt	16,007.4	15,591.0
Notes payable to affiliate	616.4	322.1
Deferred credits and other	845.8	870.7
Deferred income taxes	3,061.1	3,460.8
	<u>22,780.1</u>	<u>21,490.9</u>
Total CEOC stockholder's deficit	(2,427.7)	(1,175.2)
Non-controlling interests	44.6	42.0
Total deficit	<u>(2,383.1)</u>	<u>(1,133.2)</u>
	<u>\$ 20,397.0</u>	<u>\$ 20,357.7</u>

CAESARS ENTERTAINMENT OPERATING COMPANY, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)
(In millions)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues				
Casino	\$ 1,269.4	\$ 1,317.3	\$ 3,834.8	\$ 3,921.3
Food and beverage	257.5	266.9	767.0	766.0
Rooms	198.0	193.4	587.4	561.5
Management fees	12.5	9.7	34.4	27.7
Other	136.4	112.2	379.9	349.9
Less: casino promotional allowances	(233.5)	(230.3)	(674.6)	(661.7)
Net revenues	<u>1,640.3</u>	<u>1,669.2</u>	<u>4,928.9</u>	<u>4,964.7</u>
Operating expenses				
Direct				
Casino	742.7	760.6	2,245.8	2,254.1
Food and beverage	104.9	108.6	311.5	312.2
Rooms	44.2	44.3	136.9	129.3
Property, general, administrative, and other	369.1	390.1	1,059.9	1,128.1
Depreciation and amortization	142.1	135.3	427.9	400.4
Write-downs, reserves, and project opening costs, net of recoveries	30.2	15.2	56.8	58.5
Intangible and tangible asset impairment charges	416.0	27.1	717.5	27.1
(Income)/loss on interests in non-consolidated affiliates	(0.9)	1.4	9.9	2.9
Corporate expense	43.1	27.3	120.0	91.0
Acquisition and integration costs	1.0	1.1	1.9	2.9
Amortization of intangible assets	27.2	24.3	78.4	72.9
Total operating expenses	<u>1,919.6</u>	<u>1,535.3</u>	<u>5,166.5</u>	<u>4,479.4</u>
(Loss)/income from operations	(279.3)	133.9	(237.6)	485.3
Interest expense, net of interest capitalized	(495.6)	(427.0)	(1,509.7)	(1,381.7)
Other income, including interest income	4.0	7.6	18.4	15.9
Loss from continuing operations before income taxes	(770.9)	(285.5)	(1,728.9)	(880.5)
Benefit for income taxes	237.5	85.3	563.2	308.8
Loss from continuing operations, net of income taxes	(533.4)	(200.2)	(1,165.7)	(571.7)
Discontinued operations				
Income from discontinued operations	4.6	18.4	46.5	57.9
Provision for income taxes	(1.8)	(7.2)	(18.0)	(22.7)
Income from discontinued operations, net of income taxes	<u>2.8</u>	<u>11.2</u>	<u>28.5</u>	<u>35.2</u>
Net loss	(530.6)	(189.0)	(1,137.2)	(536.5)
Less: net (income)/loss attributable to non-controlling interests	(0.7)	9.2	(1.7)	4.0
Net loss attributable to CEOC	<u>\$ (531.3)</u>	<u>\$ (179.8)</u>	<u>\$ (1,138.9)</u>	<u>\$ (532.5)</u>

CAESARS ENTERTAINMENT OPERATING COMPANY, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In millions)

	Nine Months Ended September 30,	
	2012	2011
Cash flows used in operating activities	\$ (22.1)	\$ (16.4)
Cash flows from investing activities		
Acquisitions of property and equipment, net of change in construction payables	(278.9)	(137.1)
Change in restricted cash	(557.6)	(451.9)
Payments to acquire certain gaming rights	—	(22.7)
Payments to acquire business, net of transaction costs and cash acquired	15.2	—
Investments in/advances to non-consolidated affiliates and other	(22.8)	(76.0)
Cash received in conjunction with the sale of a subsidiary, net of cash contributed	42.4	—
Other	(2.2)	(3.8)
Cash flows used in investing activities	(803.9)	(691.5)
Cash flows from financing activities		
Proceeds from the issuance of long-term debt	2,440.9	863.8
Debt issuance costs and fees	(31.9)	(17.5)
Borrowings under lending agreements	453.0	135.0
Repayments under lending agreements	(608.0)	(135.0)
Cash paid for early extinguishments of debt	(1,325.5)	(18.7)
Scheduled debt retirements	(12.7)	(34.4)
Purchase of additional interests in subsidiary	(9.6)	—
Intercompany note borrowings, net of repayments	294.3	31.0
Other	(15.2)	(0.6)
Cash flows provided by financing activities	1,185.3	823.6
Cash flows from discontinued operations		
Net cash flows from operating activities	30.2	46.7
Net cash flows from investing activities	(2.3)	(3.3)
Net cash flows from financing activities	—	—
Cash flows provided by discontinued operations	27.9	43.4
Net increase in cash and cash equivalents	387.2	159.1
Change in cash classified as assets held for sale	1.6	2.0
Cash and cash equivalents, beginning of period	600.0	605.6
Cash and cash equivalents, end of period	\$ 988.8	\$ 766.7

RECENT EVENTS

On October 29, 2012, Hurricane Sandy made landfall near Atlantic City, New Jersey. As a result of Hurricane Sandy, our properties in Atlantic City were closed for approximately five days. Further, certain of these properties sustained minor damage from the storm. We are in the process of assessing the impact of Hurricane Sandy on our operations in that region, including any post-storm disruption on our ability to attract customers to these facilities. We have insurance that covers portions of any losses from a natural disaster such as this, but it is subject to deductibles and maximum payouts. Therefore, our ability to estimate the impact that this storm and its aftermath will have on our results of operations in this region for the current quarter and future quarters is subject to uncertainty. However, the results of operations in this region could be significantly affected in the fourth quarter of 2012, subject to our determination of potential insurance recoveries, if any.

REGIONAL AGGREGATION

The executive officers of the Company review operating results, assess performance and make decisions related to the allocation of resources on a property-by-property basis. We believe, therefore, that each property is an operating segment and that it is appropriate to aggregate and present the operations of the Company as one reportable segment. To provide more meaningful information than would be possible on a consolidated basis, the Company's casino properties (as of September 30, 2012 or otherwise noted below), have been grouped into seven regions as shown in the table below to facilitate discussion of the Company's operating results.

In May 2012, the Company entered into an agreement to sell its Harrah's St. Louis casino to Penn National Gaming, Inc. for a purchase price of \$610.0 million. The sale closed on November 2, 2012 and the Company expects to use the net proceeds from the sale to fund capital expenditures. As a result of the transaction, the assets and liabilities of Harrah's Maryland Heights, LLC, owner of the Harrah's St. Louis casino, that are included in the sale are classified as held for sale in the consolidated condensed balance sheets at September 30, 2012 and December 31, 2011. The results of the Harrah's St. Louis casino are presented as Discontinued Operations in the consolidated condensed statements of operations for the quarters and nine months ended September 30, 2012 and 2011 and are no longer included in the Iowa/Missouri region results.

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

^(a) We have an approximately 95% ownership interest in and manage this property.

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

^(c) Managed.

^(d) Windsor Casino Limited ("WCL") operates this property and the province of Ontario owns the complex. As of June 2012, we own 100% of WCL and its results are consolidated into our results. Prior to June 2012, we had a 50% ownership interest in WCL that was accounted for under the equity method.

^(e) We own, operate, or manage 10 casino clubs in the provinces of the United Kingdom and two in Egypt. We have a 70% ownership interest in and manage one casino in South Africa.

^(f) Prior to May 2012, this property operated under the Harrah's Chester name. We have a 99.5% ownership interest in and manage this property.

^(g) We manage this property and have a 20% interest in Rock Ohio Caesars, LLC, which owns this property.

CONSOLIDATED OPERATING RESULTS

(Dollars in millions)	Quarter Ended September 30,		Percent Favorable/ (Unfavorable)	Nine Months Ended September 30,		Percent Favorable/ (Unfavorable)
	2012	2011		2012	2011	
Casino revenues	\$1,269.4	\$1,317.3	(3.6)%	\$ 3,834.8	\$3,921.3	(2.2)%
Net revenues	1,640.3	1,669.2	(1.7)%	4,928.9	4,964.7	(0.7)%
(Loss)/Income from operations	(279.3)	133.9	**	(237.6)	485.3	**
Loss from continuing operations, net of income taxes	(533.4)	(200.2)	(166.4)%	(1,165.7)	(571.7)	(103.9)%
Income from discontinued operations, net of income taxes	2.8	11.2	(75.0)%	28.5	35.2	(19.0)%
Net loss attributable to CEOC	(531.3)	(179.8)	(195.5)%	(1,138.9)	(532.5)	(113.9)%
Operating margin*	(17.0)%	8.0%	(25.0) pts	(4.8)%	9.8%	(14.6) pts

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

** Not meaningful

Quarter ended September 30, 2012 compared with September 30, 2011

Net revenues for the third quarter of 2012 were \$1,640.3 million, down \$28.9 million, or 1.7%, from the year-earlier period, due mainly to lower casino revenues in all but the Las Vegas and Illinois/Indiana regions, partially offset by higher revenues from Caesars' management companies resulting from the opening of Horseshoe Cleveland earlier this year. Casino revenues in the third quarter of 2012 have deteriorated from the third quarter of 2011 due to a softening of economic conditions, primarily in Atlantic City, which has negatively impacted the Company's results.

Loss from operations for the third quarter of 2012 was \$279.3 million compared with income from operations of \$133.9 million in the prior-year quarter. This change was due mainly to non-cash charges totaling \$416.0 million, comprised of intangible asset impairments of \$247.0 million related to goodwill, \$124.0 million related to trademarks, and \$32.0 million related to gaming rights, and a tangible asset impairment of \$13.0 million.

Net loss attributable to CEOC for the third quarter of 2012 was \$531.3 million, up \$351.5 million, or 195.5%, from the third quarter of 2011. Higher net losses in the third quarter of 2012 reflect the impairment charges discussed above, increased interest expense for the third quarter of 2012 and changes in the tax rate benefit as further described in "Other Factors Affecting Net Income" that follows herein.

Nine Months Ended September 30, 2012 compared with September 30, 2011

Net revenues for the nine months ended September 30, 2012 were \$4,928.9 million, down \$35.8 million, or 0.7%, from the year-earlier period and reflect a decline in casino revenues, primarily in Atlantic City, partially offset by higher casino and rooms revenue in the Las Vegas region due in part to the opening of the Octavius Tower at Caesars Palace earlier this year and higher revenues from Caesars' management companies described above.

Loss from operations for the nine months ended September 30, 2012 was \$237.6 million compared with income from operations of \$485.3 million in the year-ago period. This change was due mainly to \$717.5 million of non-cash impairment charges comprised of the intangible and tangible asset impairments discussed above, together with a \$33.0 million intangible asset impairment related to trademarks recorded in the second quarter of 2012, and tangible asset impairments of \$167.5 million related to the previously halted development project in Biloxi, Mississippi and \$101.0 million related to the Macau land concessions, recorded in the first and second quarters of 2012, respectively. Income from operations for the nine months ended September 30, 2011 included a non-cash tangible asset impairment charge of \$27.1 million related to the termination of a development stage project in Spain. Also contributing to the loss from operations in 2012 was the income impact of lower revenues and higher depreciation expense associated with the opening of the Octavius Tower.

Net loss attributable to CEOC for the nine months ended September 30, 2012 was \$1,138.9 million, up \$606.4 million, or 113.9%, from the same period in 2011 and reflects the loss from operations described above, increased interest expense and changes in the tax rate benefit as further described in "Other Factors Affecting Net Income" that follows herein.

Performance Metrics

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

The following table reflects the percentage increase/(decrease) in trips and spend per trip for the U.S. regions for the third quarter and the nine-month periods of 2012 compared with the same periods in 2011.

	Quarter Ended September 30,		Nine Months Ended September 30,	
	Trips	Spend per Trip	Trips	Spend per Trip
Consolidated CEOC	(5.5)%	1.8%	(2.5)%	0.4%
Las Vegas region	(2.3)%	14.6%	(0.3)%	6.9%
Atlantic City region:				
Lodgers	(5.4)%	(0.3)%	(7.7)%	0.9%
Non-lodgers	(5.5)%	(3.7)%	(4.2)%	(0.7)%
All other regions	(6.0)%	(0.7)%	(1.6)%	(1.7)%

Trips across all regions decreased in the third quarter of 2012 when compared with the same period in 2011, resulting in a decline of 5.5% on a consolidated basis, due mainly to economic and competitive pressures as well as hurricane-related property closures in the Louisiana/Mississippi region in August 2012. Trips across all regions also decreased for the nine months ended September 30, 2012 when compared with the same period in 2011. The resulting decrease of 2.5% on a consolidated basis was mainly due to large declines in Atlantic City and modest declines in the rest of the U.S. regions. The overall increase in spend per trip for the third quarter of 2012 was attributable to a large increase in the Las Vegas region due primarily to strength in the international high-end segment, as well as modest increases in the Iowa/Missouri and Louisiana/Mississippi regions. For the nine months ended September 30, 2012, spend per trip increased 0.4% compared with 2011, due mainly to gains in the Las Vegas region and the Atlantic City lodger segment, partially offset by decreases in all other regions.

On a consolidated basis in 2012, third quarter cash average daily room rates remained flat at \$96 when compared with 2011, and increased from \$97 to \$99 in the nine-month period, despite a decrease in our groups segment. Total occupancy percentage remained flat for both the third quarter and the nine months ended September 30, 2012 compared with 2011.

REGIONAL OPERATING RESULTS

Las Vegas Region

(Dollars in millions)	Quarter Ended September 30,		Percent Favorable/ (Unfavorable)	Nine Months Ended September 30,		Percent Favorable/ (Unfavorable)
	2012	2011		2012	2011	
Casino revenues	\$203.8	\$188.7	8.0%	\$ 659.6	\$ 616.9	6.9%
Net revenues	381.9	378.1	1.0%	1,219.1	1,187.3	2.7%
Income from operations	14.8	39.9	(62.9)%	143.7	182.1	(21.1)%
Operating margin*	3.9%	10.6%	(6.7) pts	11.8%	15.3%	(3.5) pts

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

Third-quarter net revenues in the region were higher when compared with 2011, as increased casino and rooms revenues were partially offset by decreases in food and beverage and other revenues combined with higher promotional allowances. Revenues rose slightly, despite the negative impact on results caused by Project Linq construction activities, including the

closure of O'Shea's casino in May 2012 and the ongoing renovation of the Imperial Palace, which the Company estimates to have reduced net revenues by approximately \$3 million to \$5 million. Spend per trip was up 14.6% due primarily to strength in the international high-end segment, while trips declined 2.3%. Hotel revenues in the region increased 2.9%, due in part to the 662 additional Octavius Tower rooms, partially offset by cash average daily room rates remaining flat at \$94, and a decrease in total occupancy percentage of 2.4 percentage points for the third quarter of 2012 from 2011.

Income from operations decreased for the third quarter of 2012 by 62.9% primarily due to increases in property operating expenses and an increase in write-downs, reserves, and project opening costs, net of recoveries, associated with demolition costs to prepare for Project Linq. Additionally, the Company estimates that the impact caused by the Project Linq construction activities reduced income from operations by approximately \$2 million to \$4 million.

Net revenues for the nine months ended September 30, 2012 in the Las Vegas region increased \$31.8 million, or 2.7%, from 2011, due primarily to strength in the international, high-end gaming segment contributing to higher casino revenues and the January 2012 opening of the Octavius Tower contributing to higher rooms revenue. Revenues rose, despite the negative impact on results caused by Project Linq construction activities which the Company estimates to have reduced net revenues by approximately \$7 million to \$11 million. Trips and spend per trip decreased by 0.3% and increased 6.9%, respectively, in the nine months ended September 30, 2012 from 2011. Hotel revenues in the region increased 5.4%, due in part to the additional Octavius Tower rooms discussed above and the increase of cash average daily room rates by 2.3% to \$100 from \$98, partially offset by total occupancy percentages which decreased 2.9 percentage points for the nine months ended September 30, 2012 from 2011.

Income from operations decreased by 21.1% for the nine months ended September 30, 2012, due primarily to an increase in depreciation expense and increases in property operating expenses associated with the Octavius Tower. Additionally, the Company estimates that the impact caused by the Project Linq construction activities reduced income from operations by approximately \$5 million to \$9 million.

During 2011, we commenced construction on Project Linq, a dining, entertainment, and retail development between our Flamingo and Imperial Palace casinos, on the east side of the Las Vegas Strip, which is scheduled to open in phases beginning in the second half of 2013. Project Linq also includes the construction of a 550-foot observation wheel, the High Roller, which is expected to open in the first quarter of 2014. Through September 30, 2012, \$147.2 million had been spent on this project, of which \$94.5 million was spent in 2012.

Atlantic City Region

<u>(Dollars in millions)</u>	<u>Quarter Ended September 30,</u>		<u>Percent Favorable/ (Unfavorable)</u>	<u>Nine Months Ended September 30,</u>		<u>Percent Favorable/ (Unfavorable)</u>
	<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>	
Casino revenues	\$300.6	\$320.9	(6.3)%	\$859.3	\$ 935.7	(8.2)%
Net revenues	351.3	368.9	(4.8)%	989.8	1,060.4	(6.7)%
Income from operations	27.5	27.5	—	46.0	60.4	(23.8)%
Operating margin*	7.8%	7.5%	0.3 pts	4.6%	5.7%	(1.1) pts

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

Net revenues for the third quarter of 2012 in the Atlantic City region were down \$17.6 million, or 4.8%, from 2011, due mainly to lower casino revenues largely resulting from a decline in trips. Trips by lodgers and non-lodgers declined 5.4% and 5.5%, respectively, in the third quarter of 2012 from 2011, due mainly to new competition in the region. Spend per trip for lodgers and non-lodger decreased 0.3% and 3.7%, respectively. The Company expects the market to continue to be challenged by local and regional competition. Income from operations was flat in the third quarter of 2012 compared with 2011, due mainly to decreased property operating expenses resulting from cost savings initiatives and lower property tax assessments in Atlantic City, partially offset by the decline in net revenues.

In the nine months ended September 30, 2012, net revenues decreased from 2011 by \$70.6 million, or 6.7% due largely to trip declines in both the lodger and non-lodger segments. Spend per trip rose slightly in the lodger segment but was down in the non-lodger segment in the nine months ended September 30, 2012 compared with 2011. Income from operations was down by 23.8% due mainly to lower revenues, partially offset by a decrease in property operating expenses including decreases in property tax expense due to lower property tax assessments in Atlantic City.

Louisiana/Mississippi Region

(Dollars in millions)	Quarter Ended September 30,		Percent Favorable/ (Unfavorable)	Nine Months Ended September 30,		Percent Favorable/ (Unfavorable)
	2012	2011		2012	2011	
Casino revenues	\$ 242.5	\$267.8	(9.4)%	\$ 760.0	\$775.4	(2.0)%
Net revenues	266.2	291.7	(8.7)%	843.5	845.5	(0.2)%
Loss/income from operations	(183.0)	35.4	**	(271.2)	106.0	**
Operating margin*	(68.7)%	12.1%	(80.8) pts	(32.2)%	12.5%	(44.7) pts

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

** Not meaningful

Third quarter of 2012 net revenues in the Louisiana/Mississippi region decreased \$25.5 million, or 8.7%, from 2011. Revenues were negatively impacted by the closures of two casinos in the region as a result of Hurricane Isaac in August 2012, which contributed to a 6.2% decline in trips. Loss from operations was \$183.0 million in the third quarter of 2012 compared with income from operations of \$35.4 million in 2011. The change was due primarily to the non-cash intangible asset impairment charges of \$176.0 million, of which \$175.0 million related to goodwill and \$1.0 million related to gaming rights, as well as a non-cash tangible asset impairment charge of \$13.0 million and a \$20.2 million charge for exit activities related to the halted development project in Biloxi, Mississippi. Also contributing to the loss from operations is the income impact of lower revenues and non-recurring costs associated with hurricane-related damage to the closed properties. The Company estimates that the negative impact of Hurricane Isaac on its loss from operations was approximately \$8 million to \$10 million.

For the nine months ended September 30, 2012, net revenues in the region were down slightly compared with 2011, as revenue increases achieved in the first and second quarters of 2012 were offset by the third quarter hurricane-related impact. Loss from operations was \$271.2 million in the nine months ended September 30, 2012, compared with income from operations of \$106.0 million in 2011. This change was due mainly to the third quarter of 2012 intangible and tangible asset impairment charges described above, as well as a \$172.0 million charge in the first quarter of 2012, of which \$167.5 million was a non-cash tangible asset impairment related to the previously halted development project in Biloxi, Mississippi.

Iowa/Missouri Region

The following results exclude Harrah's St. Louis casino which has been classified as a Discontinued Operation in our consolidated condensed statements of comprehensive loss for the quarter and nine months ended September 30, 2012 and 2011 as a result of the sale of this property.

(Dollars in millions)	Quarter Ended September 30,		Percent Favorable/ (Unfavorable)	Nine Months Ended September 30,		Percent Favorable/ (Unfavorable)
	2012	2011		2012	2011	
Casino revenues	\$107.6	\$111.3	(3.3)%	\$326.1	\$328.5	(0.7)%
Net revenues	117.0	119.9	(2.4)%	350.6	352.1	(0.4)%
Income from operations	38.8	27.5	41.1%	94.6	79.7	18.7%
Operating margin*	33.2%	22.9%	10.3 pts	27.0%	22.6%	4.4 pts

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

Net revenues in the third quarter of 2012 in the Iowa/Missouri region decreased \$2.9 million, or 2.4%, from 2011 due mainly to a decline in casino revenues resulting from new competition in the Kansas City market. Income from operations increased for the third quarter of 2012 from 2011 due mainly to a reduction in property operating expenses resulting from the refinement of estimates of costs remaining in the discontinued operations of the Harrah's St. Louis casino as a result of the imminent closing of the transaction.

Net revenues in the nine months ended September 30, 2012 decreased \$1.5 million, or 0.4%, from 2011. Spend per trip increased while trips to the properties in the region declined as a result of the new competition mentioned above. Income from operations increased for the nine months ended September 30, 2012 from 2011 due mainly to reduced property operating expenses that more than offset lower revenues.

Illinois/Indiana Region

(Dollars in millions)	Quarter Ended September 30,		Percent Favorable/ (Unfavorable)	Nine Months Ended September 30,		Percent Favorable/ (Unfavorable)
	2012	2011		2012	2011	
Casino revenues	\$250.8	\$249.1	0.7%	\$765.0	\$775.5	(1.4)%
Net revenues	263.5	260.2	1.3%	802.7	806.1	(0.4)%
Income from operations	40.5	30.5	32.8%	121.6	110.2	10.3%
Operating margin*	15.4%	11.7%	3.7 pts	15.1%	13.7%	1.4 pts

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

Third quarter of 2012 net revenues in the Illinois/Indiana region increased slightly from 2011. Spend per trip declined while increased competitive pressures in the region resulted in fewer trips, despite the reopening earlier this year of the bridge that allows direct access by customers to our Southern Indiana property, which closure affected the property starting in early September 2011. Income from operations for the third quarter of 2012 increased 32.8% from the same period in 2011 due mainly to higher revenues together with reduced property operating expenses as a result of cost savings initiatives.

Net revenues in the nine months ended September 30, 2012 decreased \$3.4 million, or 0.4%, from 2011, due to declines in casino revenues. Trips and spend per trip were negatively impacted by the competition mentioned above. Income from operations for the nine months ended September 30, 2012 increased by 10.3% when compared with 2011 due mainly to reduced property operating expenses mentioned above.

Other Nevada Region

(Dollars in millions)	Quarter Ended September 30,		Percent Favorable/ (Unfavorable)	Nine Months Ended September 30,		Percent Favorable/ (Unfavorable)
	2012	2011		2012	2011	
Casino revenues	\$ 69.4	\$ 77.2	(10.1)%	\$161.6	\$182.0	(11.2)%
Net revenues	96.9	102.8	(5.7)%	223.1	244.3	(8.7)%
Income from operations	(81.2)	24.5	**	(80.7)	31.9	**
Operating margin*	(83.8)%	23.8%	(107.6) pts	(36.2)%	13.1%	(49.3) pts

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

** Not meaningful

Third quarter of 2012 net revenues decreased \$5.9 million, or 5.7%, from the same period in 2011 due mainly to a decline in casino revenues. Trips to the properties in the region, as well as spend per trip, declined in the third quarter of 2012 compared with 2011 due to local competitive pressures and the Company expects the market to continue to be challenged. There was a loss from operations of \$81.2 million in the third quarter of 2012 compared with income from operations of \$24.5 million in 2011. This change was due mainly to non-cash intangible asset impairment charges of \$103.0 million recorded in the 2012 quarter, comprised of \$72.0 million related to goodwill and \$31.0 million related to gaming rights.

Net revenues in the nine months ended September 30, 2012 decreased \$21.2 million, or 8.7%, from 2011 due to a decline in casino revenues resulting from the challenging, competitive environment in the region. Loss from operations in the nine months ended September 30, 2012 was \$80.7 million, compared with income from operations of \$31.9 million. This change was due mainly to the non-cash impairment charges in the quarter discussed above, coupled with the income impact of lower revenues.

Managed, International, and Other

The Managed region includes companies that operate three Indian-owned casinos, as well as Horseshoe Cleveland and Caesars Windsor, and the results of Thistledown Racetrack, LLC ("Thistledown") through August 2012 when the racetrack was contributed to Rock Ohio Caesars, LLC ("ROC"), a joint venture in which Caesars holds a 20% ownership interest. Subsequent to August 2012, the Managed region includes the results of the subsidiary that manages Thistledown. The International region includes the results of Caesars' international operations. The Other region is comprised of corporate expenses, including administrative, marketing, and development costs, and income from certain non-consolidated affiliates.

(Dollars in millions)	Quarter Ended September 30,		Percent Favorable/ (Unfavorable)	Nine Months Ended September 30,		Percent Favorable/ (Unfavorable)
	2012	2011		2012	2011	
Net revenues						
Managed	\$ 37.0	\$ 13.6	172.1%	\$ 62.0	\$ 36.9	68.0%
International	105.7	110.9	(4.7)%	340.6	336.2	1.3%
Other	20.8	23.1	(10.0)%	97.4	95.7	1.8%
Total net revenues	<u>\$ 163.5</u>	<u>\$147.6</u>	10.8%	<u>\$ 500.0</u>	<u>\$ 468.8</u>	6.7%
(Loss)/income from operations						
Managed	\$ (2.1)	\$ 2.2	**	\$ 3.0	\$ 5.0	(40.0)%
International	(3.9)	(0.3)	**	(89.0)	19.7	**
Other	(130.7)	(53.3)	(145.2)%	(205.6)	(109.7)	(87.4)%
Total loss from operations	<u>\$(136.7)</u>	<u>\$(51.4)</u>	(166.0)%	<u>\$(291.6)</u>	<u>\$ (85.0)</u>	(243.1)%

** Not meaningful.

Net revenues in the third quarter of 2012 for Managed, International, and Other increased \$15.9 million, or 10.8%, from 2011. Net revenue increases were attributable to the opening of a new managed casino, Horseshoe Cleveland, which began operations in May 2012, and to an increase in reimbursable expenses for certain of our managed properties that are presented on a gross revenue basis, thus resulting in an increase in net revenues and an equally offsetting increase in operating expenses. Loss from operations increased \$85.3 million, or 166.0%, in the third quarter of 2012 from 2011, due mainly to non-cash intangible asset impairment charges of \$124.0 million in the 2012 quarter related to trademarks and increased corporate expenses, partially offset by a decrease in write-downs, reserves, and project opening costs, net of recoveries resulting from lower costs associated with efficiency projects. Increases in corporate expenses were attributable to the consolidation of certain functions at corporate and increased stock-based compensation expense. Partly offsetting these unfavorable items was the income impact from higher revenues in our managed businesses.

In the nine months ended September 30, 2012, net revenues for the region increased \$31.2 million, or 6.7%, from 2011 due mainly to increased revenues from the opening of Horseshoe Cleveland, as discussed above. Loss from operations increased \$206.6 million, or 243.1%, in the nine months ended September 30, 2012 from 2011, due mainly to an increase in corporate expense and the impairment charges mentioned above and impairment charges recorded in the second quarter of 2012, consisting of a \$33.0 million intangible asset impairment related to trademarks and a tangible asset impairment of \$101.0 million related to the Macau land concessions, partially offset by a decrease in write-downs, reserves, and project opening costs, net of recoveries resulting from lower costs associated with efficiency projects. Increases in corporate expenses were attributable to the consolidation of certain functions at corporate and increased stock-based compensation expense. Partly offsetting these unfavorable items was the income impact from higher revenues in our managed businesses.

OTHER FACTORS AFFECTING NET INCOME

Expense/(income) (In millions)	Quarter Ended September 30,		Percent Favorable/ (Unfavorable)	Nine Months Ended September 30,		Percent Favorable/ (Unfavorable)
	2012	2011		2012	2011	
Interest expense, net of interest capitalized	495.6	427.0	(16.1)%	1,509.7	1,381.7	(9.3)%
Benefit for income taxes	(237.5)	(85.3)	178.4%	(563.2)	(308.8)	82.4%
Income from discontinued operations, net of income taxes	(2.8)	(11.2)	(75.0)%	(28.5)	(35.2)	(19.0)%

Interest Expense, Net of Interest Capitalized

Interest expense, net of interest capitalized, increased by \$68.6 million, or 16.1% in the third quarter of 2012, due primarily to higher interest rates as a result of extending the maturities of our debt combined with higher debt balances compared with the year-ago quarter, and a \$66.3 million decrease in mark-to-market gains on derivatives resulting from \$6.2 million of gains in 2012 compared with gains of \$72.5 million in 2011, partially offset by \$34.4 million of lower amortization of deferred losses in accumulated other comprehensive loss.

Interest expense net of interest capitalized, increased by \$128.0 million, or 9.3% for the nine months ended September 30, 2012 from 2011, due primarily to higher interest rates as a result of extending the maturities of our debt combined with higher debt balances compared with the year-ago period, and a \$74.6 million decrease in mark-to-market gains on derivatives resulting from \$10.9 million of losses in 2012 compared with gains of \$63.7 million in 2011, and the write off of deferred financing costs and debt discounts associated with debt transactions completed in the nine months ended September 30, 2012.

Interest expense is reported net of interest capitalized of \$9.5 million and \$11.5 million for the third quarter of 2012 and 2011, respectively and \$27.5 million and \$12.2 million for the nine months ended September 30, 2012 and 2011, respectively. Interest capitalized in 2012 is primarily related to the Project Linq. Cash paid for interest was \$245.6 million and \$169.9 million for the third quarter of 2012 and 2011, respectively, and \$1,047.9 million and \$946.0 million for the nine months ended September 30, 2012 and 2011, respectively.

Tax Rate Benefit

The effective tax rate benefit for the quarter ended September 30, 2012 and September 30, 2011, was 30.8% and 29.9%, respectively. The reason for the increase in the quarterly rate at September 30, 2012 is that the negative impact to the 2012 rate from nondeductible goodwill impairments was relatively less than the negative impact to the 2011 rate, primarily caused by nondeductible foreign losses and nondeductible losses on company-owned life insurance policies.

The effective tax rate benefit for the nine months ended September 30, 2012 and September 30, 2011 was 32.6% and 35.1%, respectively. The primary cause of the difference in tax rates relates to the negative impact of nondeductible goodwill impairments incurred in 2012.

LIQUIDITY AND CAPITAL RESOURCES

Cost Savings Initiatives

Caesars Entertainment has undertaken comprehensive cost-reduction efforts to rightsize expenses with business levels through its implementation of "Project Renewal," an initiative designed to reinvent certain aspects of the Company's functional and operating units to gain significant further cost reductions and streamline its operations. As a part of Project Renewal, Caesars designed a shared-services organization that will enable more efficient decision making and sharing of best practices. Caesars anticipates that the Company will have a permanently lower cost structure and will benefit from greater concentration of specified talent and quicker decision making.

In accordance with our shared-services agreement with Caesars Entertainment, we estimate that Project Renewal and other cost-savings programs produced \$35.6 million and \$94.7 million, in incremental cost savings for the third quarter and nine months of 2012, respectively, when compared to the same periods in 2011. Additionally, as of September 30, 2012, we expect that these cost-savings programs will produce additional annual cost savings of \$146.4 million, based on the full impact of current projects that are in process. As we firm up cost reduction activities this figure could change.

Capital Spending and Development

In January 2012, we received notice that the minority owners of Chester Downs and Marina, LLC ("Chester Downs") elected to exercise their put rights thereby requiring us to purchase from the minority owners 90% of their interest in Chester Downs for consideration of \$9.6 million. We consummated this purchase on February 14, 2012. As a result, we now have a 99.5% ownership interest in this property.

In August 2012, Caesars Ohio Investment, LLC ("COI") sold a 53.39% interest in Thistledown to Rock Ohio Ventures, LLC (formerly Rock Gaming, LLC) ("Rock") for \$28.6 million. Effectively concurrent with this sale, COI contributed their remaining 46.61% interest in Thistledown to ROC in exchange for additional equity interests. Immediately subsequent to these transactions, Rock purchased equity interests in ROC from COI for \$14.3 million to retain an 80% ownership interest in ROC. The Company recognized an \$11.0 million gain on these transactions.

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

Our planned development projects, if they go forward, will require, individually and in the aggregate, significant capital commitments and, if completed, may result in significant additional revenues. The commitment of capital, the timing of completion, and the commencement of operations of development projects are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate political and regulatory bodies. We must also comply with covenants and restrictions set forth in our debt agreements.

Our capital spending for the nine months ended September 30, 2012 totaled \$278.9 million, which includes an increase of \$32.4 million of construction payables. Estimated total capital expenditures for 2012, including 2012 expenditures associated with Project Linq, are expected to be between \$480.0 million and \$510.0 million.

Cash used for capital expenditures in the normal course of business is typically made available from cash flows generated by our operating activities and established debt programs, while cash used for development projects, including projects currently under development as well as additional projects being pursued, is typically funded from established debt programs, specific project financing, and additional debt offerings. As a result of the sale of Harrah's St. Louis, the Company expects to use the net proceeds from the sale to fund capital expenditures. Proceeds not used for capital expenditures are required to be used to purchase certain outstanding debt obligations.

Liquidity and Capital Resources

Our cash and cash equivalents, excluding restricted cash, totaled \$988.8 million at September 30, 2012 compared to \$600.0 million at December 31, 2011. Restricted cash totaled \$974.6 million at September 30, 2012, the current portion of which includes the \$750.0 million of proceeds from our August 2012 debt offering that were held in escrow until October 5, 2012, when escrow conditions were satisfied and CEOC assumed the liability. Nearly all of the remaining 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. The net proceeds generated from the sale of Harrah's St. Louis are expected to be utilized to fund capital expenditures. Proceeds not used for capital expenditures are required to be used to purchase certain outstanding debt obligations. Our cash flows from operating, investing, and financing activities associated with Harrah's St. Louis, which is defined as discontinued operations for the nine months ended September 30, 2012, are included in our consolidated condensed statements of cash flows.

We are a highly leveraged company and a substantial portion of our operating cash flows are used to fund debt service. As of September 30, 2012, we had \$17,412.1 million book value of indebtedness outstanding, including capital lease indebtedness. This amount includes the August 2012 debt offering of \$750.0 million which is classified as current in our consolidated condensed balance sheet at September 30, 2012 due to escrow conditions not being satisfied as of that date. On October 5, 2012, the escrow conditions were satisfied and the debt was reclassified to long-term. Cash paid for interest for the nine months ended September 30, 2012 was \$1,047.9 million. Payments of short-term debt obligations, other than the \$750.0 million above, and other commitments are expected to be made from operating cash flows and from borrowings under our established debt programs. Our operating cash inflows are typically used for operating expenses, debt service costs, working capital needs, and capital expenditures in the normal course of business. Long-term obligations are expected to be paid through operating cash flows, refinancing of debt, or, if necessary, additional debt or equity offerings.

In addition to cash flows from operations, available sources of cash include amounts available under our current revolving credit facility. At September 30, 2012, our additional borrowing capacity under the revolving credit facility was \$975.5 million. After taking into account the extensions, repayments and commitment reductions described in Liquidity and Capital Resources - Capital Resources - Credit Agreement section that follows herein, there was \$2,738.9 million face value of B-6 term loans outstanding, \$1,026.4 million face value of B-1, B-2 and B-3 term loans outstanding with a maturity of January 28, 2015, \$607.1 million of revolving commitments outstanding with a maturity of January 28, 2014 and \$31.1 million of revolving commitments outstanding with a maturity of January 28, 2017.

In recent years, we have not been generating sufficient operating cash flows to fund our investing activities, requiring us to fund our investments with additional financing. Our ability to fund our operations and pay our debt and debt service obligations 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.

Debt Covenant Compliance

Certain of our borrowings have covenants and requirements that include, among other things, the maintenance of specific levels of financial ratios. Failure to comply with these covenants can result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions. Specifically, our senior secured credit facilities require us to maintain a senior secured leverage ratio of no more than 4.75 to 1.0, which is the ratio of senior first priority secured debt to last twelve months ("LTM") Adjusted EBITDA-Pro Forma - CEOC Restricted. This ratio excludes up to \$2,200.0 million of first priority senior secured notes and up to \$350.0 million aggregate principal amount of consolidated debt of subsidiaries that are not wholly owned. This ratio also reduces the amount of senior first priority secured debt by the amount of unrestricted cash on hand. As of September 30, 2012, our senior secured leverage ratio was 4.02 to 1.0.

We are in compliance with our senior secured credit facilities and indentures, including the senior secured leverage ratio, as of September 30, 2012. In order to comply with the quarterly senior secured leverage ratio in the future, the Company will need to achieve a certain amount of Adjusted EBITDA - Pro- Forma - CEOC Restricted and/or reduced levels of total senior

secured net debt (total senior secured debt less unrestricted cash). The factors that could impact the foregoing include (a) changes in gaming trips, spend per trip and hotel metrics, which are correlated to a consumer recovery, (b) ability to effect cost-savings initiatives, (c) asset sales, (d) issuing additional second lien or unsecured debt, or project financing, (e) equity financings, (f) delays in development project spending, or (g) a combination thereof. In addition, under certain circumstances, our senior secured credit facilities allow us to apply cash contributions received as an increase to Adjusted EBITDA if we are unable to meet our Senior Secured Leverage Ratio. However, there is no guarantee that such contributions will be forthcoming.

Based upon the Company's current operating forecast, as well as our ability to achieve one or more of the factors noted above, the Company believes that it will continue to be in compliance with the senior secured leverage ratio and meet its cash flow needs during the next twelve months. As discussed earlier in "Recent Events", we continue to assess the impact of Hurricane Sandy on our forecasted results of operations and Adjusted EBITDA in the Atlantic City region. If the Company was unable to maintain compliance with the senior secured leverage ratio and the Company failed to remedy a default pursuant to the terms of its senior secured credit facilities, there would be an "event of default" under the senior secured credit agreement. We cannot assure you that our business will generate sufficient cash flows from operations, that we will be successful in sales of assets, or that future borrowings will be available to us, to fund our liquidity needs and pay our indebtedness when due. If we are unable to meet our liquidity needs or pay our indebtedness when it is due, we may be required to further reduce expenses, sell additional 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.

In addition, other covenants contained in our senior secured credit facilities and indentures covering our second priority senior secured notes and first priority senior secured notes restrict our ability to take certain actions such as incurring additional debt or making acquisitions if we are unable to meet a fixed charge coverage ratio (LTM Adjusted EBITDA-Pro Forma - CEOC Restricted to fixed charges) of at least 2.0 to 1.0, a total first priority secured leverage ratio (first priority senior secured debt to LTM Adjusted EBITDA-Pro Forma - CEOC Restricted) of no more than 4.5 to 1.0 and/or a consolidated leverage ratio (consolidated total debt to LTM Adjusted EBITDA-Pro Forma - CEOC Restricted) of no more than 7.25 to 1.0. As of September 30, 2012, our total first priority secured leverage ratio and consolidated leverage ratio were 5.74 to 1.0 and 11.67 to 1.0, respectively. For the twelve months ended September 30, 2012, CEOC's LTM Adjusted EBITDA-Pro Forma - CEOC Restricted were insufficient to cover fixed charges by \$570.7 million. For purposes of calculating the fixed charge coverage ratio, fixed charges includes consolidated interest expense less interest income and any cash dividends paid on preferred stock (other than amounts eliminated in consolidation). For purposes of calculating the total first priority secured leverage ratio and the consolidated leverage ratio, the amounts of first priority senior secured debt and consolidated total debt, respectively, are reduced by the amount of unrestricted cash on hand. The covenants that provide for the fixed charge coverage ratio, total first priority secured leverage ratio and consolidated leverage ratio described in this paragraph are not maintenance covenants.

Long-Term Debt

The following table presents our outstanding debt as of September 30, 2012 and December 31, 2011:

<u>Detail of Debt (dollars in millions)</u>	<u>Final Maturity</u>	<u>Rate(s) at Sept. 30, 2012</u>	<u>Face Value at Sept. 30, 2012</u>	<u>Book Value at Sept. 30, 2012</u>	<u>Book Value at Dec. 31, 2011</u>
Credit Facilities					
Term Loans B1-B3	2015	3.22%	\$ 1,985.7	\$ 1,985.7	\$ 5,000.5
Term Loan B4	2016	9.50%	972.5	956.1	961.2
Term Loan B5	2018	4.47%	1,222.7	1,218.7	1,218.2
Term Loan B6	2018	5.47%	2,044.9	2,027.9	—
Revolving Credit Facility	2014	—	—	—	155.0
Revolving Credit Facility	2017	—	—	—	—
Secured Debt					
Senior Secured Notes	2017	11.25%	2,095.0	2,058.7	2,054.6
Senior Secured Notes	2020	8.50%	1,250.0	1,250.0	—
Senior Secured Notes	2020 ^(a)	9.00%	750.0	750.0	—
Second-Priority Senior Secured Notes	2018	12.75%	750.0	742.7	742.1
Second-Priority Senior Secured Notes	2018	10.00%	4,553.1	2,224.6	2,131.2
Second-Priority Senior Secured Notes	2015	10.00%	214.8	171.2	164.2
Chester Downs term loan	2016	—	—	—	221.3
Chester Downs Senior Secured Notes	2020	9.25%	330.0	330.0	—
PHW Las Vegas Senior Secured Loan	2015 ^(b)	3.10%	515.6	433.0	417.9
Linq/Octavius Senior Secured Loan	2017	9.25%	450.0	446.3	445.9
Subsidiary-guaranteed Debt					
Senior Notes	2016	10.75%	478.6	478.6	478.6
Senior PIK Toggle Notes	2018	10.75%/11.5%	13.2	13.2	11.7
Unsecured Senior Debt					
5.375%	2013	5.375%	125.2	114.5	108.6
7.0%	2013	7.00%	0.6	0.6	0.6
5.625%	2015	5.625%	791.8	655.4	624.9
6.5%	2016	6.50%	573.2	456.8	439.3
5.75%	2017	5.75%	538.8	390.6	375.7
Floating Rate Contingent Convertible Senior Notes	2024	0.57%	0.2	0.2	0.2
Other Unsecured Borrowings					
Special improvement district bonds	2037	5.30%	64.3	64.3	65.7
Note payable to Caesars Entertainment	2014	3.28%	616.4	616.4	322.1
Other	Various	Various	0.4	0.4	0.4
Capitalized Lease Obligations	to 2014	1.10%-9.49%	26.2	26.2	13.6
Total debt			20,363.2	17,412.1	15,953.5
Current portion of long-term debt ^(a)			(791.8)	(788.3)	(40.4)
Long-term debt			<u>\$ 19,571.4</u>	<u>\$ 16,623.8</u>	<u>\$ 15,913.1</u>

^(a) Represents the note offering that occurred in August 2012. Although the notes mature in 2020, they are classified as short-term debt obligations within our September 30, 2012 balance sheet because the escrow conditions were not met as of that date.

^(b) Assumes the exercise of an extension option to move the maturity from 2013 to 2015, subject to certain conditions.

As of September 30, 2012 and December 31, 2011, book values are presented net of unamortized discounts of \$2,951.1 million and \$3,135.0 million, respectively.

Our current maturities of debt include required interim principal payments on certain Term Loans, the special improvement district bonds, and capitalized lease obligations. The current portion of long-term debt also includes \$750.0 million and \$0.6 million of 9.0% senior secured notes and 7.0% unsecured senior debt, respectively.

Caesars Entertainment Corporation 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 \$750.0 million

outstanding at any time. The entire outstanding amount, plus any accrued and unpaid interest, matures on January 29, 2014, and bears interest at a rate per annum equal to LIBOR, as defined in the CEOC Credit Agreement, plus 3.0%. Interest is payable annually in arrears or, at CEOC's election such interest may be added to the loan balance owed to Caesars Entertainment. There was \$322.1 million outstanding under the agreement at December 31, 2011. As a result of net borrowings of \$294.3 million during the nine months ended September 30, 2012, there is \$616.4 million outstanding under the agreement at September 30, 2012.

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.

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

In March 2012, CEOC amended its Credit Facilities to, among other things, (i) extend the maturity of \$2,731.4 million of B-1, B-2 and B-3 term loans held by consenting lenders from January 28, 2015 to January 28, 2018 and increase the interest rate with respect to such extended term loans (the "Term B-6 Loans"); (ii) convert \$82.3 million of original maturity revolver commitments held by consenting lenders to Term B-6 Loans and promptly following such conversion, repay \$1,095.6 million of B-1, B-2, B-3 and B-6 term loans; (iii) extend the maturity of \$25.0 million original maturity revolver commitments from January 28, 2014 to January 28, 2017 and increase the interest rate and the undrawn commitment fee with respect to such extended revolver commitments and terminate \$6.3 million of original maturity revolver commitments; and (iv) modify certain other provisions of the Credit Facilities. In addition to the foregoing, CEOC may elect to extend and/or convert additional term loans and/or revolver commitments from time to time.

During the second and third quarters of 2012, CEOC extended the maturity on an additional \$123.5 million of B-1, B-2, and B-3 term loans and converted another \$47.3 million of original maturity revolver commitments to Term B-6 Loans.

As of September 30, 2012, our Credit Facilities provide for senior secured financing of up to \$7,296.8 million, consisting of (i) senior secured term loans in an aggregate principal amount of \$6,225.8 million comprised of \$1,985.7 million maturing on January 28, 2015, \$972.5 million maturing on October 31, 2016, and \$3,267.6 million maturing on January 28, 2018 and (ii) a senior secured revolving credit facility in an aggregate principal amount of up to \$1,071.0 million, with \$1,046.0 million maturing January 28, 2014 and \$25.0 million maturing on January 28, 2017, 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 \$3.7 million, with the balance due at maturity. As of September 30, 2012, \$95.5 million of the revolving credit facility is committed to outstanding letters of credit. After consideration of the letter of credit commitments, \$975.5 million of additional borrowing capacity was available to the Company under its revolving credit facility as of September 30, 2012.

On October 5, 2012, CEOC consummated extension transactions with lenders under its Credit Facilities pursuant to which CEOC (i) extended the maturity of \$957.5 million aggregate principal amount of B-1, B-2 and B-3 term loans held by consenting lenders from January 28, 2015 to January 28, 2018, which are new B-6 term loans; (ii) converted \$276.6 million aggregate principal amount of original maturity revolver commitments held by consenting lenders to B-6 term loans; and (iii) extended the maturity of \$12.2 million aggregate principal amount of original maturity revolver commitments held by consenting lenders who elected not to convert their commitments to term loans, from January 28, 2014 to January 28, 2017 and increased the interest rate and the undrawn commitment fee with respect to such extended revolver commitments. The Term B-6 Loans have a springing maturity to April 14, 2017 if more than \$250.0 million of CEOC's 11.25% Senior Secured Notes due 2017 remain outstanding on April 14, 2017. As a result of these transactions, CEOC repaid \$478.8 million principal amount of term loans of extending lenders and terminated \$144.4 million principal amount of revolving commitments of extending lenders.

On October 29, 2012, CEOC consummated extension transactions under its Credit Facilities pursuant to which CEOC converted \$150.0 million aggregate principal amount of original maturity revolver commitments held by consenting lenders to B-6 term loans. As a result of these transactions, CEOC repaid \$75.0 million principal amount of term loans of extending lenders, terminated \$150.0 million principal amount of revolving commitments of extending lenders, and increased the amount of outstanding B-6 term loans by \$75.0 million. In addition to the foregoing, CEOC may elect to extend and/or convert additional term loans and/or revolver commitments from time to time.

Other Financing Transactions

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

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

In August 2012, Caesars Operating Escrow LLC and Caesars Escrow Corporation, wholly-owned unrestricted subsidiaries of CEOC, completed the offering of \$750.0 million aggregate principal amount of 9% senior secured notes due 2020 (the "9% notes"), the proceeds of which were placed into escrow and recorded as restricted cash. On October 5, 2012, the escrow conditions were satisfied and CEOC assumed the 9% notes. CEOC used \$478.8 million of the net proceeds from this transaction to repay a portion of its senior secured term loans under the Credit Facilities in connection with the extension transactions occurring subsequent to September 30, 2012 as described in "Credit Agreements" above.

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, 2012 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, 2012 are as follows:

<u>Effective Date</u>	<u>Notional Amount</u> <u>(in millions)</u>	<u>Fixed Rate</u> <u>Paid</u>	<u>Variable Rate</u> <u>Received as of</u> <u>September 30, 2012</u>	<u>Next Reset Date</u>	<u>Maturity Date</u>
April 25, 2011	\$ 250.0	1.351%	0.217%	October 25, 2012	January 25, 2015
April 25, 2011	250.0	1.347%	0.217%	October 25, 2012	January 25, 2015
April 25, 2011	250.0	1.350%	0.217%	October 25, 2012	January 25, 2015
January 25, 2011	1,000.0	3.068%	0.217%	October 25, 2012	January 25, 2015
April 25, 2011	1,000.0	3.150%	0.217%	October 25, 2012	January 25, 2015
January 25, 2011	1,000.0	3.750%	0.217%	October 25, 2012	January 25, 2015
April 25, 2011	1,000.0	3.264%	0.217%	October 25, 2012	January 25, 2015
January 25, 2011	1,000.0	3.814%	0.217%	October 25, 2012	January 25, 2015

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

On January 18, 2012, the Company amended the terms of three \$1,000.0 million notional value of interest rate swap contracts with a corresponding change in the elected interest rate on \$3,000.0 million of term loans under the Credit Facilities. Effective January 25, 2012 through January 25, 2014, the variable rate received on the swaps changed from three-month to one-month LIBOR and the fixed payment rate was reduced by 16.5 basis points. The table above reflects the amended payment rates.

Derivative Instruments—Other

During the second quarter of 2012, the Company entered into a written put option (the “Option”) for certain preferred equity interests. The potential future aggregate cash payments of \$24.3 million as of September 30, 2012 related to the Option may occur from time to time. Based on the structure of this security as a written put option, the obligation for these potential cash payments is not reflected in our consolidated condensed balance sheets. Additionally, the Option is recorded in our consolidated condensed balance sheets at its fair value, which was \$0 as of September 30, 2012.

Derivative Instruments—Impact on Consolidated Condensed Financial Statements

The following table represents the fair values of derivative instruments in the consolidated condensed balance sheets as of September 30, 2012 and December 31, 2011:

(In millions)	Asset Derivatives				Liability Derivatives			
	September 30, 2012		December 31, 2011		September 30, 2012		December 31, 2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments								
Interest rate swaps					Deferred credits and other	\$ (347.0)	Deferred credits and other	\$ (336.1)
Interest rate cap	Deferred charges and other	\$ *	Deferred charges and other	\$ *				
Total derivatives		<u>\$ *</u>		<u>\$ *</u>		<u>\$ (347.0)</u>		<u>\$ (336.1)</u>

* Amount rounds to zero

The following table represents the effect of derivative instruments in the unaudited consolidated condensed statements of operations for the quarters ended September 30, 2012 and 2011 for amounts transferred into or out of accumulated other comprehensive loss (“AOCL”):

(In millions)	Amount of (Gain) or Loss Recognized in AOCL (Effective Portion)		Location of (Gain) or Loss Reclassified From AOCL Into Net Loss (Effective Portion)	Amount of (Gain) or Loss Reclassified from AOCL into Net Loss (Effective Portion)		Location of (Gain) or Loss Recognized in Net Loss (Ineffective Portion)	Amount of (Gain) or Loss Recognized in Net Loss (Ineffective Portion)	
	Quarter Ended Sept. 30, 2012	Quarter Ended Sept. 30, 2011		Quarter Ended Sept. 30, 2012	Quarter Ended Sept. 30, 2011		Quarter Ended Sept. 30, 2012	Quarter Ended Sept. 30, 2011
	Derivatives designated as hedging instruments							
Interest rate contracts	\$ —	\$ 72.3	Interest expense	\$ —	\$ 34.2	Interest expense	\$ —	\$ (78.7)

(In millions)

Derivatives not designated as hedging instruments

Derivatives not designated as hedging instruments	Amount of (Gain) or Loss Recognized in Net Loss		Location of (Gain) or Loss Recognized in Net Income
	Quarter Ended Sept. 30, 2012	Quarter Ended Sept. 30, 2011	
Interest rate contracts	\$ (6.2)	\$ 6.2	Interest expense

The following table represents the effect of derivative instruments in the unaudited consolidated condensed statements of operations for the nine months ended September 30, 2012 and 2011 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 Net Loss (Effective Portion)	Amount of (Gain) or Loss Reclassified from AOCL into Net Loss (Effective Portion)		Location of (Gain) or Loss Recognized in Net Loss (Ineffective Portion)	Amount of (Gain) or Loss Recognized in Net Loss (Ineffective Portion)	
	(Effective Portion)			(Effective Portion)			(Ineffective Portion)	
	Nine Months Ended Sept. 30, 2012	Nine Months Ended Sept. 30, 2011		Nine Months Ended Sept. 30, 2012	Nine Months Ended Sept. 30, 2011		Nine Months Ended Sept. 30, 2012	Nine Months Ended Sept. 30, 2011
Derivatives designated as hedging instruments								
Interest rate contracts	\$ —	\$ 70.9	Interest expense	\$ —	\$ 39.2	Interest expense	\$ —	\$ (74.3)

(In millions)	Derivatives not designated as hedging instruments	Amount of (Gain) or Loss Recognized in Net Loss		Location of (Gain) or Loss Recognized in Net Loss	Amount of (Gain) or Loss Recognized in Net Loss	
		(Effective Portion)			(Ineffective Portion)	
		Nine Months Ended Sept. 30, 2012	Nine Months Ended Sept. 30, 2011		Nine Months Ended Sept. 30, 2012	Nine Months Ended Sept. 30, 2011
				Interest expense	\$ 10.9	\$ 10.6

In addition to the impact on interest expense from amounts reclassified from AOCL, the difference to be paid or received under the terms of the interest rate swap agreements is recognized as interest expense and is paid monthly. This cash settlement portion of the interest rate swap agreements increased interest expense for the quarters and nine months ended September 30, 2012 and 2011 by \$42.6 million and \$41.0 million, and \$126.6 million, and \$158.3 million, respectively.

At September 30, 2012, our variable-rate debt, excluding \$5,750.0 million of variable-rate debt hedged using interest rate swap agreements, represents 10% of our total debt, while our fixed-rate debt is 90% of our total debt.

GUARANTEES OF THIRD-PARTY DEBT AND OTHER OBLIGATIONS AND COMMITMENTS

Material changes to our aggregate indebtedness are described in the "Capital Resources" section of this Exhibit 99.1. At September 30, 2012, our estimated interest payments for the years ended December 31, 2012 through 2016 are approximately \$424 million, \$1,681 million, \$1,643 million, \$1,417 million and \$1,259 million, respectively, and our estimated interest payments thereafter are approximately \$1,801 million.

As of September 30, 2012, there have been no material changes outside the ordinary course of business to our 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 for the year ended December 31, 2011.

Supplemental Discussion of the Financial Results of Caesars Entertainment's Commercial Mortgage-Backed Securities Related Properties

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

In this discussion, the words "we" and "our" refer to the CMBS Properties. We are providing this financial information pursuant to the Second Amended and Restated Loan Agreement, dated as of August 31, 2010 (the "CMBS Loan Agreement"), related to the CMBS Financing.

Subsequent to the filing of our annual report on Form 10-K for the year ended December 31, 2011, including Exhibit 99.2 thereto, we identified certain deferred tax gains primarily related to the contribution of O'Shea's Casino and certain other assets to a subsidiary of Caesars Entertainment Operating Company, Inc. in connection with their 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. The net impact on the financial statements included herein of correcting for this error is to reduce our deferred tax liabilities and increase our stockholder's equity by \$22.8 million as of December 31, 2011. There are no cash impacts as a result of this correction.

OPERATING RESULTS FOR CMBS PROPERTIES**Overall CMBS Properties Results**

The following tables represent CMBS Properties' unaudited combined condensed balance sheets as of September 30, 2012 and December 31, 2011, and their unaudited combined condensed statements of operations for the quarters and nine months ended September 30, 2012 and 2011, and unaudited combined condensed statements of cash flows for the nine months ended September 30, 2012 and 2011.

CMBS PROPERTIES
COMBINED CONDENSED BALANCE SHEETS
(UNAUDITED)
(In millions)

	September 30, 2012	December 31, 2011
Assets		
Current assets		
Cash and cash equivalents	\$ 119.8	\$ 151.2
Receivables, net	76.7	77.2
Deferred income taxes	14.0	14.0
Prepayments and other current assets	71.0	62.2
Inventories	12.4	10.6
Total current assets	293.9	315.2
Property and equipment, net	4,936.2	5,094.2
Goodwill	1,690.6	1,690.6
Intangible assets other than goodwill	496.4	543.7
Restricted cash	57.2	74.0
Deferred charges and other	98.5	109.3
	<u>\$ 7,572.8</u>	<u>\$ 7,827.0</u>
Liabilities and Stockholder's Equity		
Current liabilities		
Accounts payable	\$ 30.7	\$ 29.0
Interest payable	7.0	7.7
Accrued expenses	158.8	154.5
Current portion of long-term debt	9.0	—
Due to affiliates, net	27.7	15.9
Total current liabilities	233.2	207.1
Long-term debt	4,825.0	5,026.0
Deferred credits and other	29.1	32.4
Deferred income taxes	1,499.9	1,523.4
	<u>6,587.2</u>	<u>6,788.9</u>
Total equity	985.6	1,038.1
	<u>\$ 7,572.8</u>	<u>\$ 7,827.0</u>

CMBS PROPERTIES
COMBINED CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)
(In millions)

	<u>Quarter Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues				
Casino	\$ 310.6	\$ 312.1	\$ 923.5	\$ 925.1
Food and beverage	132.1	130.5	391.4	379.6
Rooms	114.1	117.6	344.9	344.5
Other	48.5	52.7	141.3	150.4
Less: casino promotional allowances	(89.0)	(91.2)	(263.0)	(266.3)
Net revenues	<u>516.3</u>	<u>521.7</u>	<u>1,538.1</u>	<u>1,533.3</u>
Operating expenses				
Direct				
Casino	160.2	162.8	481.6	477.1
Food and beverage	65.4	64.6	191.7	183.5
Rooms	30.1	30.5	93.2	87.2
Property, general, administrative, and other	128.4	139.6	378.5	398.8
Depreciation and amortization	39.3	41.5	118.1	118.2
Write-downs and reserves, net of recoveries	2.4	1.9	6.6	6.2
Impairment of Intangible Assets	3.0	—	3.0	—
(Income)/loss on interests in non-consolidated affiliates	(0.6)	(0.3)	(1.1)	1.3
Corporate expense	16.3	16.6	56.7	61.8
Acquisition and integration costs	—	(0.1)	—	0.2
Amortization of intangible assets	14.8	14.9	44.3	44.7
Total operating expenses	<u>459.3</u>	<u>472.0</u>	<u>1,372.6</u>	<u>1,379.0</u>
Income from operations	57.0	49.7	165.5	154.3
Interest expense, net of interest capitalized	(50.5)	(51.5)	(153.0)	(157.8)
Gains on early extinguishments of debt	—	—	78.5	47.5
Other income, including interest income	0.1	0.6	0.7	0.7
Income/(Loss) before income taxes	6.6	(1.2)	91.7	44.7
(Provision)/Benefit for income taxes	(3.3)	0.1	(33.3)	(16.2)
Net income/(loss)	<u>\$ 3.3</u>	<u>\$ (1.1)</u>	<u>\$ 58.4</u>	<u>\$ 28.5</u>

CMBS PROPERTIES
COMBINED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In millions)

	Nine Months Ended September 30,	
	2012	2011
Cash flows (used in) provided by operating activities	\$ (11.1)	\$ 110.0
Cash flows from investing activities		
Acquisitions of property and equipment, net of change in construction payables	(25.0)	(24.5)
Change in restricted cash	8.2	(81.1)
Other	(3.5)	(5.0)
Cash flows used in investing activities	(20.3)	(110.6)
Cash flows from financing activities		
Cash paid for early extinguishments of debt	(121.9)	(108.5)
Cash received from Caesars Entertainment for financing transactions	121.9	108.5
Cash flows used in financing activities	—	—
Net decrease in cash and cash equivalents	(31.4)	(0.6)
Cash and cash equivalents, beginning of period	151.2	121.8
Cash and cash equivalents, end of period	\$ 119.8	\$ 121.2
Cash paid for interest	\$ 121.9	\$ 125.0

RECENT EVENTS

On October 29, 2012, Hurricane Sandy made landfall near Atlantic City, New Jersey. As a result of Hurricane Sandy, Caesars properties in Atlantic City were closed for approximately five days, including Harrah's Atlantic City. Further, certain of these properties sustained minor damage from the storm. Caesars is in the process of assessing the impact of Hurricane Sandy on Harrah's Atlantic City, including any post-storm disruption on the property's ability to attract customers to its facility. Caesars has insurance that covers portions of any losses from a natural disaster such as this, but it is subject to deductibles and maximum payouts. Therefore, Caesars' ability to estimate the impact that this storm and its aftermath will have on the results of operations of the CMBS Properties for the current quarter and future quarters is subject to uncertainty. However, the results of operations of the CMBS Properties could be significantly affected in the fourth quarter of 2012, subject to Caesars' determination of potential insurance recoveries, if any.

COMBINED OPERATING RESULTS

(Dollars in millions)	Quarter Ended September 30,		Percentage Favorable/ (Unfavorable)	Nine Months Ended September 30,		Percentage Favorable/ (Unfavorable)
	2012	2011		2012	2011	
Casino revenues	\$ 310.6	\$ 312.1	(0.5)%	\$ 923.5	\$ 925.1	(0.2)%
Net revenues	516.3	521.7	(1.0)%	1,538.1	1,533.3	0.3%
Income from operations	57.0	49.7	14.7%	165.5	154.3	7.3%
Net income/(loss)	3.3	(1.1)	**	58.4	28.5	104.9%
Operating margin*	11.0%	9.5%	1.5 pts	10.8%	10.1%	0.7 pts

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

** Not meaningful

Net revenues for the third quarter of 2012 were \$516.3 million, down \$5.4 million, or 1.0%, from the year-earlier period, due mainly to decreases at Flamingo, Harrah's Las Vegas and Harrah's Atlantic City, partially offset by increases at Paris and Rio. Net revenues for the nine months ended September 30, 2012 were \$1,538.1 million, up \$4.8 million, or 0.3%, from the year-earlier period due mainly to increases at Paris and Rio, partially offset by decreases at Harrah's Las Vegas and Harrah's Atlantic City.

For the third quarter of 2012, income from operations increased \$7.3 million, or 14.7%, to \$57.0 million from \$49.7 million in the year-ago third quarter, due mainly to a reduction in property operating expenses that more than offset revenue declines and the impact of a \$3.0 million non-cash intangible asset impairment recorded during the quarter related to trademarks. For the nine months ended September 30, 2012, income from operations rose \$11.2 million, or 7.3%, to \$165.5 million from \$154.3 million in the year-ago period due mainly to higher revenues, decreases in property operating expenses, and a decrease in corporate expense, partially offset by the third quarter impairment charge.

Results were also negatively impacted by the closure of O'Shea's casino in May 2012 to prepare for Project Linq on the Las Vegas Strip, which are estimated to have reduced net revenues by approximately \$7 million to \$10 million and reduced income from operations by approximately \$3 million to \$6 million in the third quarter of 2012, and were estimated to have reduced net revenues by approximately \$13 million to \$19 million and reduced income from operations by approximately \$6 million to \$11 million for the nine months ended September 30, 2012.

Net income for the third quarter of 2012 was \$3.3 million compared with a net loss of \$1.1 million in 2011. Net income for the nine months ended September 30, 2012 was \$58.4 million, up \$29.9 million, or 104.9%, from 2011 due primarily to the increase in income from operations and gains on early extinguishments of debt.

Caesars is exploring an opportunity to develop an approximately \$140 million convention center with the support of the NJ Casino Reinvestment Development Authority that would be connected to its Harrah's Atlantic City property. The ability to develop this project will be subject to several factors, including the Company's ability to obtain financing.

OTHER FACTORS AFFECTING NET INCOME

Expense/(income) (In millions)	Quarter Ended September 30,		Percentage Favorable/ (Unfavorable)	Nine Months Ended September 30,		Percentage Favorable/ (Unfavorable)
	2012	2011		2012	2011	
Interest expense, net of interest capitalized	\$ 50.5	\$ 51.5	1.9%	\$ 153.0	\$ 157.8	3.0%
Gains on early extinguishments of debt	—	—	—	(78.5)	(47.5)	65.3%
Provision/(benefit) for income taxes	3.3	(0.1)	**	33.3	16.2	(105.6)%

Gains on Early Extinguishments of Debt

Gains on early extinguishments of debt during the quarters and nine months ended September 30, 2012 and 2011 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" that follows herein.

Effective Tax Rate

The effective tax rate for the quarter ended September 30, 2012 and September 30, 2011, was 50.0% and 8.3%, respectively. The primary cause for the change in the quarterly tax rate during the third quarter of 2012, was that more profits were earned in higher taxed jurisdictions when compared with previous quarters. The effective tax rate for Q3 2011 was lower than expected, primarily, due to interest accruals on the Company's uncertain tax positions that served to offset the tax benefit generated by pre-tax losses incurred.

The effective tax rate expense for the nine months ended September 30, 2012 and September 30, 2011 was 36.3% and 36.2%, respectively. The primary causes for the divergence from the federal statutory rate of 35% relate to state income taxes and interest accruals on the Company's uncertain tax positions.

Other Items

In August 2011, we contributed the O' Shea's Casino (adjacent to the Flamingo Las Vegas) and other assets to a subsidiary of Caesars Entertainment Operating Company, Inc. A portion of the contributed assets were leased back by a CMBS Property. In May 2012, O'Shea's ceased operations and the lease-back agreement expired. As a result of the expiration of the agreement, \$86.2 million of land assets are no longer included as assets of the CMBS Properties.

LIQUIDITY AND CAPITAL RESOURCES

Cost Savings Initiatives

Caesars Entertainment has undertaken comprehensive cost-reduction efforts to rightsize expenses with business levels through its implementation of "Project Renewal," an initiative designed to reinvent certain aspects of Caesars' functional and operating units to gain significant cost reductions and streamline its operations. As part of Project Renewal, Caesars designed a shared-services organization that will enable more efficient decision making and sharing of best practices. Caesars anticipates that it will have a permanently lower cost structure and will benefit from greater concentration of specified talent and quicker decision making.

In accordance with our shared-services agreement with Caesars Entertainment, we estimate that Project Renewal and other cost-savings programs produced \$15.2 million and \$40.6 million in incremental cost savings for the third quarter and nine months ended September 30, 2012 when compared to the same periods of 2011. Additionally, as of September 30, 2012, these cost-savings programs will produce additional annual cost savings of \$57.9 million, based on the full implementation of current projects that are in process. As we firm up cost reduction activities, this figure could change.

Capital Spending and Development

We incur capital expenditures in the normal course of business and we perform ongoing refurbishment and maintenance at our existing casino entertainment facilities to maintain our quality standards. We also continue to pursue development and acquisition opportunities for additional casino entertainment and other hospitality facilities that meet our strategic and return on investment criteria.

Our planned development projects, if they go forward, will require, individually and in the aggregate, significant capital commitments and, if completed, may result in significant additional revenues. The commitment of capital, the timing of completion, and the commencement of operations of development projects are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate political and regulatory bodies. We must also comply with covenants and restrictions set forth in the CMBS Loan Agreement.

Our capital spending for the nine months ended September 30, 2012 totaled \$25.0 million, including a increase of \$1.6 million of construction payables. Estimated total capital expenditures for 2012 are expected to be between \$40.0 million and \$50.0 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 future development projects may be funded from established debt programs, specific project financing, or additional debt offerings.

Liquidity

Our cash and cash equivalents, excluding restricted cash, totaled \$119.8 million at September 30, 2012, compared to \$151.2 million at December 31, 2011. Restricted cash, including \$35.3 million included in prepayments and other current assets, totaled \$92.5 million at September 30, 2012. 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.

The CMBS Properties are highly leveraged and a significant amount of our liquidity needs are for debt service. As of September 30, 2012, we had \$4,834.0 million book value of indebtedness outstanding. Cash paid for interest for the nine months ended September 30, 2012 was \$121.9 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. From time to time, we distribute excess cash flow to Caesars Entertainment. The amount of excess cash flow that may be distributed is limited to 85% of excess cash flow with respect to such quarter, as defined in the CMBS Loan Agreement.

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 12 months and to fund capital expenditures.

We cannot assure you that our business will generate sufficient cash flows from operations, or that future borrowings will be available to us, to fund our liquidity needs and pay our indebtedness. If we are unable to meet our liquidity needs or pay our indebtedness when it is due, we may have to reduce or delay refurbishment and expansion projects, reduce expenses, sell assets, or attempt to restructure our debt. 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

In January 2012, we purchased \$2.0 million of face value of CMBS Loans for \$1.0 million, recognizing a gain of \$1.0 million, net of deferred finance charges. In March 2012, we purchased \$116.7 million of face value of CMBS Loans for \$70.8 million, recognizing a gain of \$44.8 million, net of deferred finance charges. In April 2012, we purchased \$83.7 million of face value of CMBS Loans for \$50.2 million, recognizing a gain of \$32.7 million, net of deferred finance charges.

Derivative Instruments

We have 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%. We are amortizing deferred losses from the interest rate cap frozen in accumulated other comprehensive loss ("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, 2012, we recorded \$5.2 million and \$15.6 million, respectively, as an increase to interest expense, and we will record an additional \$8.7 million as an increase to interest expense and AOCL through the termination date, all related to deferred losses on the interest rate cap. At September 30, 2012, \$4,650.2 million of the interest rate cap was designated 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.

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

GUARANTEES OF THIRD-PARTY DEBT AND OTHER OBLIGATIONS AND COMMITMENTS

Material changes to our aggregate indebtedness are discussed in the "Capital Resources" section of this Exhibit 99.2. As of September 30, 2012, there have been no material changes outside the ordinary course of business to our 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, 2011.

