

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Quarterly Period Ended June 30, 2013

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)

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.

<u>Class</u>	<u>Outstanding at August 1, 2013</u>
Common stock, \$0.01 par value	126,294,496

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, Caesars Entertainment, Caesars Palace, Harrah's, Total Rewards, World Series of Poker (WSOP), Horseshoe, Paris Las Vegas, Flamingo, Bally's and Bingo Blitz. We have omitted the registered trademark (®) and trademark (™) symbols for such trademarks named in this Form 10-Q.

PART I—FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

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

	June 30, 2013	December 31, 2012
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,810.7	\$ 1,757.5
Restricted cash	88.4	833.6
Receivables, net of allowance for doubtful accounts of \$200.4 and \$201.7	486.2	580.5
Deferred income taxes	124.1	114.9
Prepayments and other current assets	204.5	150.0
Inventories	46.3	52.0
Assets held for sale	5.4	5.1
Total current assets	2,765.6	3,493.6
Property and equipment, net	15,461.9	15,701.7
Goodwill	3,152.8	3,160.3
Intangible assets other than goodwill	3,881.7	3,985.7
Investments in and advances to non-consolidated affiliates	209.0	100.4
Restricted cash	246.0	364.6
Deferred charges and other	686.7	720.6
Assets held for sale	441.1	471.2
	\$ 26,844.8	\$ 27,998.1
<b>Liabilities and Stockholders' Deficit</b>		
Current liabilities		
Accounts payable	\$ 327.5	\$ 376.2
Interest payable	284.8	233.7
Accrued expenses	1,157.4	1,094.7
Current portion of long-term debt	158.5	879.9
Liabilities held for sale	3.6	3.8
Total current liabilities	1,931.8	2,588.3
Long-term debt	20,912.8	20,532.2
Deferred credits and other	757.8	823.0
Deferred income taxes	3,930.9	4,334.1
Liabilities held for sale	49.6	52.1
	27,582.9	28,329.7
Commitments and contingencies (Note 17)		
Stockholders' equity/(deficit)		
Common stock: voting; \$0.01 par value; 128.5 and 127.5 shares issued	1.3	1.3
Treasury Stock: 2.2 and 2.1 shares	(16.3)	(16.3)
Additional paid-in capital	6,969.2	6,954.4
Accumulated deficit	(7,710.3)	(7,280.2)
Accumulated other comprehensive loss	(93.7)	(70.9)
Total Caesars stockholders' deficit	(849.8)	(411.7)
Non-controlling interests	111.7	80.1
Total deficit	(738.1)	(331.6)
	\$ 26,844.8	\$ 27,998.1

See accompanying Notes to Consolidated Condensed Financial Statements.

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

	Quarter Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
<b>Revenues</b>				
Casino	\$ 1,435.1	\$ 1,551.9	\$ 2,930.2	\$ 3,176.9
Food and beverage	386.1	385.3	766.2	767.4
Rooms	322.3	316.4	610.5	620.2
Management fees	17.2	12.3	27.8	21.9
Other	284.8	202.8	547.6	398.2
Less: casino promotional allowances	(287.3)	(305.0)	(581.1)	(614.8)
Net revenues	<u>2,158.2</u>	<u>2,163.7</u>	<u>4,301.2</u>	<u>4,369.8</u>
<b>Operating expenses</b>				
Direct				
Casino	819.6	898.1	1,654.4	1,822.9
Food and beverage	169.5	169.7	334.7	331.5
Rooms	82.2	80.7	155.5	155.8
Property, general, administrative, and other	593.8	520.9	1,175.2	1,031.7
Depreciation and amortization	141.3	175.5	303.0	355.0
Write-downs, reserves, and project opening costs, net of recoveries	23.4	7.9	44.1	24.1
Intangible and tangible asset impairment charges	104.7	33.0	124.7	207.0
Loss on interests in non-consolidated affiliates	13.8	3.2	16.4	10.3
Corporate expense	41.3	41.3	77.3	93.5
Acquisition and integration costs	2.2	1.1	66.4	1.2
Amortization of intangible assets	41.1	43.2	82.5	86.4
Total operating expenses	<u>2,032.9</u>	<u>1,974.6</u>	<u>4,034.2</u>	<u>4,119.4</u>
Income from operations	125.3	189.1	267.0	250.4
Interest expense, net of interest capitalized	(540.1)	(496.5)	(1,114.8)	(1,058.5)
Gain on early extinguishments of debt	41.3	33.7	4.6	79.5
Gain on partial sale of subsidiary	44.1	—	44.1	—
Other income, including interest income	4.8	6.5	8.3	14.7
Loss from continuing operations before income taxes	(324.6)	(267.2)	(790.8)	(713.9)
Benefit for income taxes	115.7	105.9	406.0	264.2
Loss from continuing operations, net of income taxes	(208.9)	(161.3)	(384.8)	(449.7)
<b>Discontinued operations</b>				
Loss from discontinued operations	(0.3)	(84.4)	(44.2)	(70.2)
Benefit/(provision) for income taxes	—	3.9	2.8	(3.0)
Loss from discontinued operations, net of income taxes	(0.3)	(80.5)	(41.4)	(73.2)
Net loss	(209.2)	(241.8)	(426.2)	(522.9)
Less: net (income)/loss attributable to non-controlling interests	(3.0)	0.1	(3.9)	0.6
Net loss attributable to Caesars	<u>\$ (212.2)</u>	<u>\$ (241.7)</u>	<u>\$ (430.1)</u>	<u>\$ (522.3)</u>
<b>Loss per share - basic and diluted</b>				
Loss per share from continuing operations	\$ (1.69)	\$ (1.29)	\$ (3.10)	\$ (3.58)
Loss per share from discontinued operations	—	(0.64)	(0.33)	(0.59)
Net loss per share	<u>\$ (1.69)</u>	<u>\$ (1.93)</u>	<u>\$ (3.43)</u>	<u>\$ (4.17)</u>
Weighted-average common shares outstanding - basic and diluted	<u>125.5</u>	<u>125.3</u>	<u>125.4</u>	<u>125.2</u>

See accompanying Notes to Consolidated Condensed Financial Statements.

**CAESARS ENTERTAINMENT CORPORATION**  
**CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE LOSS**  
**(UNAUDITED)**  
**(In millions)**

	Quarter Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net loss	\$ (209.2)	\$ (241.8)	\$ (426.2)	\$ (522.9)
Other comprehensive income/(loss):				
Defined benefit plan adjustments	0.2	1.5	4.8	2.3
Foreign currency translation adjustments	(5.6)	(4.3)	(25.7)	0.3
Loss on derivatives reclassified into earnings	—	7.2	3.9	14.3
Unrealized (losses)/gains on available-for-sale investments	(4.8)	0.2	(4.7)	(0.1)
Total other comprehensive (loss)/income, before income taxes	(10.2)	4.6	(21.7)	16.8
Income tax benefit/(expense) related to items of other comprehensive (loss)/income	0.3	(1.7)	(1.2)	(4.6)
Total other comprehensive (loss)/income, net of income taxes	(9.9)	2.9	(22.9)	12.2
Total comprehensive loss	(219.1)	(238.9)	(449.1)	(510.7)
Less: amounts attributable to non-controlling interests:				
Net (income)/loss	(3.0)	0.1	(3.9)	0.6
Foreign currency translation adjustments	0.1	(0.5)	0.1	(1.5)
Total amounts attributable to non-controlling interests	(2.9)	(0.4)	(3.8)	(0.9)
Comprehensive loss attributable to Caesars	\$ (222.0)	\$ (239.3)	\$ (452.9)	\$ (511.6)

See accompanying Notes to Consolidated Condensed Financial Statements.

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

Caesars Stockholders								
	Common Stock	Treasury Stock	Additional Paid-in-Capital	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Total Caesars Stockholders' Equity/(Deficit)	Non-controlling Interests	Total Equity/(Deficit)
Balance at December 31, 2011	\$ 0.7	\$ —	\$ 6,885.1	\$ (5,782.7)	\$ (96.4)	\$ 1,006.7	\$ 46.7	\$ 1,053.4
Net loss	—	—	—	(522.3)	—	(522.3)	(0.6)	(522.9)
Share-based compensation	—	—	17.7	—	—	17.7	—	17.7
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	—	—	—	—	—
Contributions and contractual obligations from non-controlling interests, net of distributions	—	—	—	—	—	—	29.4	29.4
Other comprehensive income, net of tax	—	—	—	—	10.7	10.7	1.5	12.2
Balance at June 30, 2012	<u>\$ 1.3</u>	<u>\$ (16.3)</u>	<u>\$ 6,935.9</u>	<u>\$ (6,305.0)</u>	<u>\$ (85.7)</u>	<u>\$ 530.2</u>	<u>\$ 77.0</u>	<u>\$ 607.2</u>
Balance at December 31, 2012	\$ 1.3	\$ (16.3)	\$ 6,954.4	\$ (7,280.2)	\$ (70.9)	\$ (411.7)	\$ 80.1	\$ (331.6)
Net (loss)/income	—	—	—	(430.1)	—	(430.1)	3.9	(426.2)
Share-based compensation	—	—	11.6	—	—	11.6	—	11.6
Common stock issuances	*	—	12.6	—	—	12.6	—	12.6
Issuances of common stock under stock incentive plans	*	—	0.3	—	—	0.3	—	0.3
Increase in treasury shares	—	*	(0.1)	—	—	(0.1)	—	(0.1)
Contributions and contractual obligations from non-controlling interests	—	—	—	—	—	—	35.3	35.3
Decrease in non-controlling interests including distributions and write-downs	—	—	—	—	—	—	(7.5)	(7.5)
Other comprehensive loss, net of tax	—	—	—	—	(22.8)	(22.8)	(0.1)	(22.9)
Purchase of additional interest in subsidiary	—	—	(9.6)	—	—	(9.6)	—	(9.6)
Balance at June 30, 2013	<u>\$ 1.3</u>	<u>\$ (16.3)</u>	<u>\$ 6,969.2</u>	<u>\$ (7,710.3)</u>	<u>\$ (93.7)</u>	<u>\$ (849.8)</u>	<u>\$ 111.7</u>	<u>\$ (738.1)</u>

\* Amount rounds to zero.

See accompanying Notes to Consolidated Condensed Financial Statements.

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

	Six Months Ended June 30,	
	2013	2012
<b>Cash flows from operating activities</b>		
Net loss	\$ (426.2)	\$ (522.9)
Adjustments to reconcile net loss to cash flows (used in)/provided by operating activities:		
Loss from discontinued operations	41.4	73.2
Gain on early extinguishments of debt	(4.6)	(79.5)
Depreciation and amortization	391.9	447.7
Amortization of deferred finance costs and debt discount/premium	170.0	163.6
Reclassification from, and amortization of, accumulated other comprehensive loss	4.3	14.3
Non-cash write-downs and reserves, net of recoveries	17.3	2.6
Gain on partial sale of subsidiary	(44.1)	—
Non-cash acquisition and integration costs	48.9	—
Unrealized (gains)/losses on fair value of derivatives	(66.5)	17.1
Impairment of intangible and tangible assets	124.7	207.0
Loss on interests in non-consolidated affiliates	16.4	10.3
Stock-based compensation expense	9.7	33.2
Deferred income taxes	(408.9)	(223.6)
Change in deferred charges and other	(0.8)	(13.9)
Change in deferred credits and other	(8.3)	(44.7)
Change in current assets and liabilities:		
Accounts receivable	75.5	(11.7)
Prepayments and other current assets	(33.0)	(39.8)
Accounts payable	(32.0)	(10.9)
Interest payable	51.8	(7.2)
Accrued expenses	23.4	55.6
Other	(7.9)	1.1
Cash flows (used in)/provided by operating activities	(57.0)	71.5
<b>Cash flows from investing activities</b>		
Acquisitions of property and equipment, net of change in related payables	(320.3)	(192.0)
Change in restricted cash	863.8	100.7
Proceeds from partial sale of subsidiary, net of cash deconsolidated	50.4	—
Payments to acquire businesses, net of transaction costs and cash acquired	—	15.2
Investments in/advances to non-consolidated affiliates	(27.8)	(13.9)
Purchases of investment securities	(1.7)	(18.9)
Proceeds from the sale and maturity of investment securities	16.1	12.9
Other	(7.0)	(4.2)
Cash flows provided by/(used in) investing activities	573.5	(100.2)
<b>Cash flows from financing activities</b>		
Proceeds from the issuance of long-term debt	1,589.5	1,710.1
Debt issuance costs and fees	(47.3)	(31.9)
Borrowings under lending agreements	—	453.0
Repayments under lending agreements	—	(608.0)
Cash paid for early extinguishments of debt	(2,010.3)	(1,450.6)
Cash paid for loan maturity extension fees	(23.3)	—
Scheduled debt retirements	(7.1)	(9.0)
Purchase of additional interests in subsidiary	—	(9.6)
Contributions from non controlling interest owners	35.3	—
Proceeds from sale of additional interest in a subsidiary	—	32.2
Issuance of common stock, net of fees	12.6	17.4
Other	(13.0)	(11.1)
Cash flows (used in)/provided by financing activities	(463.6)	92.5
<b>Cash flows from discontinued operations</b>		
Cash flows from operating activities	0.4	27.8
Cash flows from investing activities	—	(2.5)
Cash flows from financing activities	—	—

Net cash provided by discontinued operations	0.4	25.3
Net increase in cash and cash equivalents	53.3	89.1
Change in cash classified as assets held for sale	(0.1)	0.9
Cash and cash equivalents, beginning of period	1,757.5	891.2
Cash and cash equivalents, end of period	<u>\$ 1,810.7</u>	<u>\$ 981.2</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," "Caesars Entertainment," "CEC," "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***

Our business is primarily conducted through a wholly-owned subsidiary, Caesars Entertainment Operating Company, Inc. ("CEOC"), although certain material properties are not owned by CEOC. As of June 30, 2013, we owned, operated, or managed, through various subsidiaries, 52 casinos in 13 U.S. states and six countries. Of the 52 casinos, 39 are in the United States, including 20 land-based casinos, 10 riverboat or dockside casinos, three managed casinos on Indian lands, three managed casinos in Ohio, one casino combined with a greyhound racetrack, one casino combined with a thoroughbred racetrack, and one casino combined with a harness racetrack. Our 13 international casinos are comprised of eight land-based casinos in England, two in Egypt, one in Scotland, one in South Africa and one in Canada. In addition, through Caesars Interactive Entertainment, Inc. ("CIE"), a majority-owned subsidiary, we own an online gaming business, providing for real money casino, bingo, and poker games in the United Kingdom, alliances with online gaming providers in Italy and France, "play for fun" offerings in other jurisdictions, and social games on Facebook and other social media websites and mobile application platforms. Also through CIE, we own the World Series of Poker tournament and brand. We view each casino property and CIE as operating segments and aggregate such casino properties and CIE into one reportable segment.

On January 28, 2008, Caesars Entertainment was acquired by affiliates of Apollo Global Management, LLC (together with such affiliates, "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"). Our common stock trades on the NASDAQ Global Select Market ("NASDAQ") under the symbol "CZR."

***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 2013 fiscal year.

The financial information for the quarter and six months ended June 30, 2012 is derived from our consolidated condensed financial statements and footnotes included in the Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 and has been revised to reflect the results of operations and cash flows of the Alea Leeds casino and the subsidiaries that hold a land concession in Macau as discontinued operations. See Note 3, "Acquisitions, Investments, Dispositions and Divestitures" for further discussion.

We have revised certain other amounts for prior periods to conform to our 2013 presentation. This Form 10-Q filing should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2012, as amended ("2012 10-K").

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

**Note 2 — Recently Issued Accounting Pronouncements**

Effective January 1, 2013, we adopted guidance issued by the Financial Accounting Standards Board ("FASB") on the reporting of reclassifications out of accumulated other comprehensive income. The guidance requires an entity to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income if the amount is reclassified to net income in its entirety in the same reporting period. 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.

In February 2013, the FASB issued new guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. The new guidance is effective for us January 1, 2014. We are currently assessing what impact, if any, the adoption of this new guidance will have on our consolidated financial position, results of operations and cash flows.

In March 2013, the FASB issued new guidance applicable to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The new guidance is effective for us January 1, 2014. We are currently assessing what impact, if any, the adoption of this new guidance will have on our consolidated financial position, results of operations and cash flows.

**Note 3 — Acquisitions, Investments, Dispositions and Divestitures**

***Acquisitions***

***Buffalo Studios, LLC and Bubbler Media***

In December 2012, CIE purchased substantially all of the net assets of Buffalo Studios, LLC ("Buffalo"), a social and mobile games developer and owner of Bingo Blitz, for consideration of \$45.2 million plus an earnout payment with an acquisition date fair value estimated at \$5.6 million. During the first quarter 2013, the estimated fair value of the earnout was increased to \$58.0 million, with a charge to acquisition and integration costs of \$52.4 million. The estimated fair value of the earnout was reduced to \$54.5 million during the second quarter 2013, resulting in a \$3.5 million reduction in the earnout accrual, recorded in acquisition and integration costs.

In September 2012, CIE purchased the assets of Bubbler Media ("Bubbler") a social and mobile games developer based in Belarus, for consideration of approximately \$7.5 million.

The purchase prices of Buffalo and Bubbler were allocated based on estimated fair values of the assets acquired and liabilities assumed, with the excess of the purchase price over the estimated fair value of the net tangible and intangible assets acquired recorded as goodwill. The preliminary purchase price allocations include total assets, liabilities and net assets acquired of Buffalo of \$52.9 million, \$7.7 million and \$45.2 million, respectively. The preliminary purchase price allocations include net assets acquired of Bubbler of \$7.5 million. The Company has not yet finalized its purchase price allocations for either of these transactions and is in the process of performing final reviews of the values assigned to assets acquired and liabilities assumed for both transactions.

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

**Dispositions**

Conrad Punta Del Este Resort and Casino

In November 2012, we signed a definitive agreement with Enjoy S.A. (“Enjoy”) to form a strategic relationship in Latin America and completed the transaction in May 2013. Under the terms of the agreement, Enjoy acquired 45% of Baluma S.A., our subsidiary that owns and operates the Conrad Punta Del Este Resort and Casino in Uruguay (the “Conrad”), in exchange for total consideration of \$139.5 million. After customary deductions for expenses associated with the closing, we received \$50.4 million in cash, net of \$29.7 million of cash deconsolidated, a 4.5% equity stake in Enjoy, and a deferred cash payment of \$31.9 million due by January 2014, which is included in other current assets as of June 30, 2013. The shares of Enjoy that we acquired are classified as available-for-sale securities. These securities are adjusted to their market value at every reporting period, with unrealized gains or losses recorded as a component of other comprehensive income.

In connection with the transaction, Enjoy assumed control of the Baluma S.A. board and primary responsibility for management of the Conrad. Upon completion of the transaction, we deconsolidated Baluma S.A. from our financial statements and began accounting for Baluma S.A. as an investment in non-consolidated affiliates utilizing the equity method of accounting.

Alea Leeds

On March 4, 2013, we permanently closed our Alea Leeds casino in England. As a result of the closure, during the quarter ended March 31, 2013, we recorded charges of \$5.7 million related to the write-down of tangible and intangible assets, net of currency translation adjustment, and \$15.8 million related to exit costs, comprised of non-cancellable contract costs of \$15.1 million, employment related costs of \$0.5 million and other costs in the amount of \$0.2 million. During the quarter ended June 30, 2013, the Company paid \$1.0 million of exit-related costs, accreted interest expense of \$0.5 million and recognized \$0.2 million increase in the liability due mainly to the impact of currency translation adjustments. As of June 30, 2013, \$15.5 million remains accrued. We have presented the operations of Alea Leeds casino as discontinued operations in the Consolidated Condensed Statements of Operations for the quarter and six months ended June 30, 2013 and 2012. See “Discontinued Operations” below.

Harrah's St. Louis

On November 2, 2012, the Company sold its Harrah's St. Louis casino and recorded a pre-tax gain of \$9.3 million on the sale. As a result of working capital adjustments in connection with such sale, the Company recorded reductions to the originally recorded pre-tax gain of \$0.7 million in the first quarter of 2013. We have presented the results of Harrah's Maryland Heights, LLC, previous owner of the Harrah's St. Louis casino, as discontinued operations in our Consolidated Condensed Statements of Operations for the quarter and six months ended June 30, 2012. See “Discontinued Operations” below.

Macau Land Concession

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

In the fourth quarter of 2012, the Company began discussions with interested investors regarding a sale of the subsidiaries that hold the Macau Land Concession. As a result of this plan of disposal, the assets and liabilities have been classified as held for sale in our Consolidated Condensed Balance Sheets at June 30, 2013 and December 31, 2012. See “Held for Sale” below.

We assess the fair value of the Macau Land Concession each reporting period and, as a result, recorded an adjustment to fair value that reduced book value by \$21.0 million during the first quarter of 2013. There were no additional fair value adjustments recognized in the second quarter of 2013.

We have presented the operations of the business as discontinued operations in the Consolidated Condensed Statements of Operations for the quarters and six months ended June 30, 2013 and 2012. See “Discontinued Operations” below.

On August 6, 2013, the Company, along with certain of its wholly-owned subsidiaries, entered into a share purchase agreement with Pearl Dynasty Investments Limited (“Pearl Dynasty”), pursuant to which Pearl Dynasty will purchase from the Company all of the equity interests of the subsidiaries that hold the Macau Land Concession for a purchase price of \$438.0 million subject to customary closing conditions. See Note 21, “Subsequent Events,” for further discussion.

**CAESARS ENTERTAINMENT CORPORATION**  
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*Held for Sale*

Assets and liabilities classified as held for sale relate to the subsidiaries that hold our land concessions in Macau and are as follows:

<b>(In millions)</b>	<b>June 30, 2013</b>		<b>December 31, 2012</b>	
<b>Assets</b>				
Cash and cash equivalents	\$	4.8	\$	4.7
Other current assets		0.6		0.4
Assets held for sale, current	\$	5.4	\$	5.1
Property and equipment, net	\$	441.1	\$	471.2
Assets held for sale, non-current	\$	441.1	\$	471.2
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$	3.6	\$	3.8
Liabilities held for sale, current	\$	3.6	\$	3.8
Deferred credits and other	\$	0.2	\$	0.2
Deferred income taxes		49.4		51.9
Liabilities held for sale, non-current	\$	49.6	\$	52.1

*Discontinued Operations*

Net revenues, pre-tax (loss)/income from operations, and (loss)/income, net of income taxes presented as discontinued operations are as follows:

<b>(In millions)</b>	<b>Quarter Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Net revenues</b>				
Harrah's St. Louis	\$	—	\$	64.9
Macau		0.8		0.7
Alea Leeds		—		1.2
Total net revenues	\$	0.8	\$	66.8
<b>Pre-tax income/(loss) from operations</b>				
Harrah's St. Louis	\$	—	\$	22.9
Macau		0.2		(105.9)
Alea Leeds		(0.5)		(1.4)
Total pre-tax loss from discontinued operations	\$	(0.3)	\$	(84.4)
<b>Income/(loss), net of income taxes</b>				
Harrah's St. Louis	\$	—	\$	14.1
Macau		0.2		(93.2)
Alea Leeds		(0.5)		(1.4)
Total loss from discontinued operations, net of income taxes	\$	(0.3)	\$	(80.5)

**CAESARS ENTERTAINMENT CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
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**Note 4 — Proposed Strategic Transaction**

On April 23, 2013, our board of directors approved the material terms of a proposed strategic transaction, pursuant to which the Company will form a new growth-oriented entity, Caesars Growth Partners, LLC (“Growth Partners”), to be owned by the Company and participating Caesars stockholders, including the Sponsors. Participating Caesars stockholders will own their interests in Growth Partners through Caesars Acquisition Company (“CAC”), a new company created to facilitate the transaction. CAC will hold all of the voting units of Growth Partners. The Company may not sell or transfer any units of Growth Partners without the consent of CAC prior to the fifth anniversary of the issuance. From and after the fifth anniversary of the issuance, the Company may transfer units of Growth Partners to a non-competitor of Caesars Entertainment. In addition, after the fifth anniversary of the issuance, the non-voting units of Growth Partners will be exchangeable into non-voting shares of CAC with terms equivalent to the non-voting units and with rights to have such shares registered under the Securities Act of 1933.

The Company intends to distribute non-transferrable subscription rights at no charge to Caesars stockholders on a pro rata basis. The subscription rights will afford each Caesars stockholder the right to acquire for cash at least the same pro rata ownership interest in CAC as such stockholder holds in the Company. CAC will use the proceeds from its sale of shares to acquire all of the voting interests in Growth Partners. The Company and its subsidiaries will contribute their shares of CIE and approximately \$1.1 billion face value of senior notes previously issued by Caesars Entertainment Operating Company, Inc. (“CEOC Notes”) that are owned by another subsidiary of the Company, which together have been preliminarily valued at \$1.275 billion, to Growth Partners in exchange for non-voting units. This valuation may be increased by up to \$225.0 million if earnings from CIE’s social and mobile games business exceed a specified amount in 2015, in which case the Company or its subsidiaries will receive additional non-voting units of Growth Partners. As a result of these asset contributions, the Company’s economic interest in Growth Partners at the closing of the transaction will be at least 57.0%, and may be as much as 77.0%, depending on the amount of proceeds raised by CAC through its sale of shares, prior to any potential valuation increase and certain other potential adjustments. Additionally, Growth Partners intends to use \$360.0 million of proceeds received from CAC to purchase from a subsidiary of the Company the Planet Hollywood Resort & Casino in Las Vegas, the Company’s joint venture interests in a casino under development in Baltimore (“Horseshoe Baltimore”) and a financial stake in the management fee stream for both of those properties, equal to 50% of the management fee.

A subsidiary of Growth Partners will assume \$513.2 million in face value debt outstanding related to Planet Hollywood. The purchase of Planet Hollywood and the assumption of the current debt outstanding related to Planet Hollywood by Growth Partners are subject to the receipt of approval of lenders of such outstanding debt and any requirements the lenders may impose. In the event the Company does not receive the required lenders’ approval with respect to the purchase of Planet Hollywood by Growth Partners and the related assumption of the current debt outstanding related to Planet Hollywood, the Growth Partners transactions may not close. Alternatively, the Growth Partners transactions may be altered to not include Planet Hollywood.

The Company and Growth Partners will have the opportunity to work together to develop future projects. The Company will have the option to (1) pursue any potential project itself or (2) decline the project for itself, after which Growth Partners may elect or decline to pursue the project. The Company will have the first right to make an offer if Growth Partners plans to sell any assets acquired from the Company.

After the third anniversary of the closing of the transaction, the Company and/or its subsidiaries will have the right to acquire the voting units of Growth Partners, or at the election of CAC, the shares of CAC, subject to certain conditions, including shareholder and Board approval. Following the fifth anniversary of the closing of the transaction and until the eight years and six months anniversary of the closing of the transaction, the board of directors of CAC will have the right to cause a liquidation of Growth Partners, which means the sale or winding up of Growth Partners, or other monetization of all of its assets and the distribution of the proceeds remaining after satisfaction of all liabilities of Growth Partners to the holders of Growth Partners’ units. Unless otherwise agreed by the holders of the non-voting units, on the eight years and six months anniversary of the closing of the transaction, if CAC has not previously exercised its liquidation right, Growth Partners shall liquidate as described above.

On July 10, 2013, CAC filed a Registration Statement on Form S-1 with the SEC.

**Note 5 — Restricted Cash**

In December 2012, CEOC completed the offering of \$750.0 million aggregate principal amount of 9.0% senior secured notes due 2020, the proceeds of which were placed into escrow and recorded as short-term restricted cash at December 31, 2012. On February 20, 2013, the escrow conditions were satisfied, and the cash was released from restriction.

**CAESARS ENTERTAINMENT CORPORATION**  
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**Note 6 — Property and Equipment, net**

Property and equipment, net consists of the following:

<u>(In millions)</u>	<u>June 30, 2013</u>	<u>December 31, 2012</u>
Land and land improvements	\$ 7,095.6	\$ 7,208.8
Buildings, riverboats, and improvements	8,572.0	8,725.7
Furniture, fixtures, and equipment	2,567.8	2,491.0
Construction in progress	579.4	378.3
	<u>18,814.8</u>	<u>18,803.8</u>
Less: accumulated depreciation	(3,352.9)	(3,102.1)
	<u>\$ 15,461.9</u>	<u>\$ 15,701.7</u>

Depreciation expense, which is included in depreciation and amortization, corporate expense and loss from discontinued operations in our Consolidated Condensed Statements of Operations, is as follows:

<u>(In millions)</u>	<u>Quarter Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Depreciation expense	\$ 142.8	\$ 184.7	\$ 306.4	\$ 374.4

Interest expense is capitalized on internally constructed assets at the applicable weighted-average borrowing rates of interest. Capitalization of interest ceases when the project is substantially complete or construction activity is suspended for more than a brief period of time.

***Tangible Asset Impairments***

***Continuing Operations***

We review the carrying value of our long-lived assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition.

We have been in negotiations with potential investors on the possible sale of a real estate project owned by the Company, related to investments of the Casino Reinvestment Development Authority (“CRDA”), a New Jersey state governmental agency responsible for directing the spending of casino reinvestment funds for the benefit of Atlantic City. The Company estimated the fair value of the property based on a market value approach, and in June 2013, we recorded a tangible asset impairment of \$22.4 million primarily related to our investment in this real estate project.

As a result of a possible transaction involving certain of our land holdings in Biloxi, Mississippi, we evaluated the recorded values of these holdings against their estimated future cash flows. As a result of our analysis, we recorded tangible asset impairments of \$79.3 million in June 2013 to adjust the land holdings to fair value.

In March 2012, we recorded a tangible asset impairment on construction in progress of \$167.5 million related to a halted development project in Biloxi, Mississippi, as well as a tangible asset impairment on a project in Spain for \$6.5 million.

***Discontinued Operations***

We recorded fair value adjustments related to our land concession in Macau in the second quarter of 2012 and the first quarter of 2013 as further described in Note 3, "Acquisitions, Investments, Dispositions and Divestitures."

**Note 7 — Goodwill and Other Intangible Assets**

Each year, we perform an annual impairment assessment of goodwill and other non-amortizing intangible assets as of September 30, or more frequently if impairment indicators exist.

**CAESARS ENTERTAINMENT CORPORATION**  
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During each of the first and second quarters of 2013, due to various factors, including changes in projected earnings, we performed interim impairment assessments of goodwill and other non-amortizing intangible assets and, as a result, we recorded impairment charges of \$20.0 million and \$3.0 million, respectively, related to certain gaming rights.

During the second quarter of 2012, due to weak economic conditions in certain gaming markets, we performed an interim impairment assessment of non-amortizing intangible assets. This analysis resulted in an impairment charge of \$33.0 million related to our trademark assets as a result of reduced revenues associated with these assets.

The following table sets forth changes in our goodwill and other intangible assets for the six months ended June 30, 2013:

<b>(In millions)</b>	<b>Amortizing Intangible Assets</b>	<b>Non-Amortizing Intangible Assets</b>	
		<b>Goodwill</b>	<b>Other</b>
Balance at December 31, 2012	\$ 1,027.6	\$ 3,160.3	\$ 2,958.1
Impairments	—	—	(23.0)
Amortization expense	(82.5)	—	—
Foreign currency translation	(0.4)	—	(1.6)
Additions	5.7	—	—
Disposals	—	(14.9)	—
Other	(1.8)	7.4	(0.4)
Balance at June 30, 2013	\$ 948.6	\$ 3,152.8	\$ 2,933.1

During the second quarter of 2013, we recorded a \$14.9 million reduction in goodwill in connection with the deconsolidation of Baluma S.A. upon the closing of the Conrad transaction described in Note 3, "Acquisitions, Investments, Dispositions and Divestitures."

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

<b>(Dollars in millions)</b>	<b>June 30, 2013</b>				<b>December 31, 2012</b>		
	<b>Weighted Average Remaining Useful Life (in years)</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount</b>
<b>Amortizing intangible assets</b>							
Customer relationships	6.5	\$ 1,456.9	\$ (681.5)	\$ 775.4	\$ 1,456.7	\$ (618.0)	\$ 838.7
Contract rights	1.5	144.1	(72.3)	71.8	145.1	(66.3)	78.8
Patented technology	3.3	160.8	(88.1)	72.7	156.7	(76.6)	80.1
Gaming rights	11.0	42.8	(14.1)	28.7	42.8	(12.8)	30.0
Trademarks	—	—	—	—	1.7	(1.7)	—
		\$ 1,804.6	\$ (856.0)	948.6	\$ 1,803.0	\$ (775.4)	1,027.6
<b>Non-amortizing intangible assets</b>							
Trademarks				1,699.0			1,699.7
Gaming rights				1,234.1			1,258.4
				2,933.1			2,958.1
Total intangible assets other than goodwill				\$ 3,881.7			\$ 3,985.7

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**Note 8—Debt**

The following table presents our outstanding debt as of June 30, 2013 and December 31, 2012:

<b>Detail of Debt (Dollars in millions)</b>	<b>Final Maturity</b>	<b>Rate(s) at June 30, 2013</b>	<b>Face Value at June 30, 2013</b>	<b>Book Value at June 30, 2013</b>	<b>Book Value at Dec. 31, 2012</b>
<b>Credit Facilities <sup>(a)</sup></b>					
Term Loans B1 - B3	2015	3.19% - 3.28%	\$ 29.1	\$ 29.1	\$ 1,025.8
Term Loan B4	2016	9.50%	965.0	951.2	954.5
Term Loan B5	2018	4.44%	991.9	988.9	1,218.8
Term Loan B6	2018	5.44%	2,431.9	2,396.5	2,812.6
Revolving Credit Facility	2014	—	—	—	—
Revolving Credit Facility	2017	—	—	—	—
<b>Secured Debt</b>					
Senior Secured Notes <sup>(a)</sup>	2017	11.25%	2,095.0	2,063.2	2,060.2
Senior Secured Notes <sup>(a)</sup>	2020	8.50%	1,250.0	1,250.0	1,250.0
Senior Secured Notes <sup>(a)</sup>	2020	9.00%	3,000.0	2,951.9	1,486.9
CMBS Financing	2015 <sup>(c)</sup>	3.68%	4,439.1	4,417.7	4,660.5
Second-Priority Senior Secured Notes <sup>(a)</sup>	2018	12.75%	750.0	743.4	742.9
Second-Priority Senior Secured Notes <sup>(a)</sup>	2018	10.00%	4,528.1	2,321.3	2,260.2
Second-Priority Senior Secured Notes <sup>(a)</sup>	2015	10.00%	214.8	179.2	173.7
Chester Downs Senior Secured Notes	2020	9.25%	330.0	330.0	330.0
PHW Las Vegas Senior Secured Loan	2015 <sup>(d)</sup>	3.05%	513.2	460.4	438.2
LINQ/Octavius Senior Secured Loan	2017	9.25%	450.0	446.8	446.5
Bill's Gamblin' Hall & Saloon Credit Facility	2019	11.00%	185.0	181.5	181.4
<b>Subsidiary-Guaranteed Debt <sup>(b)</sup></b>					
Senior Notes	2016	10.75%	478.6	478.6	478.6
Senior PIK Toggle Notes	2018	10.75%-11.5%	10.3	10.3	9.7
<b>Unsecured Senior Debt <sup>(a)</sup></b>					
5.375%	2013	5.375%	99.0	95.7	116.6
7.0%	2013	7.00%	—	—	0.6
5.625%	2015	5.625%	364.4	317.2	306.7
6.5%	2016	6.50%	248.7	206.6	200.9
5.75%	2017	5.75%	147.9	111.8	108.7
Floating Rate Contingent Convertible Senior Notes	2024	0.57%	0.2	0.2	0.2
<b>Other Unsecured Borrowings</b>					
Special Improvement District Bonds	2037	5.30%	62.9	62.9	64.3
Other	2014	—%	47.7	47.7	47.7
Capitalized Lease Obligations	to 2017	3.57% - 11.0%	29.2	29.2	35.9
<b>Total Debt</b>			<b>23,662.0</b>	<b>21,071.3</b>	<b>21,412.1</b>
<b>Current Portion of Long-Term Debt</b>			<b>(175.2)</b>	<b>(158.5)</b>	<b>(879.9)</b>
<b>Long-Term Debt</b>			<b>\$ 23,486.8</b>	<b>\$ 20,912.8</b>	<b>\$ 20,532.2</b>

<sup>(a)</sup> Guaranteed by Caesars Entertainment.

<sup>(b)</sup> Guaranteed by Caesars Entertainment and certain wholly-owned subsidiaries of CEOC

<sup>(c)</sup> Based on our ability and intent, assumes the exercise of extension options to move the maturity from 2014 to 2015, subject to certain conditions.

<sup>(d)</sup> Based on our ability and intent, assumes the exercise of extension options to move the maturity from 2013 to 2015, subject to certain conditions.



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As of June 30, 2013 and December 31, 2012, book values are presented net of unamortized discounts of \$2,590.7 million and \$2,691.0 million, respectively.

***Current Portion of Long-Term Debt***

Our current maturities of long-term debt include required interim principal payments on certain term loans under the senior secured credit facilities, the special improvement district bonds, other unsecured borrowings and capitalized lease obligations. The current portion of long-term debt also includes \$26.0 million of 10.0% second-priority senior secured notes due 2018, \$24.8 million of 10.0% second-priority senior secured notes due 2015 and \$99.0 million of 5.375% unsecured senior debt due 2013. Our current maturities exclude the PHW Las Vegas senior secured loan due in December 2013 and the CMBS financing due in February 2014 based upon our ability and intent to exercise our options to extend the maturities to 2015.

The current portion of long-term debt at December 31, 2012 includes \$750.0 million of 9.0% notes issued in December 2012 pending satisfaction of certain escrow conditions. On February 20, 2013, the escrow conditions were satisfied and the debt obligation was re-classified to long-term.

***CEOC Credit Facilities***

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' other direct, wholly-owned subsidiaries, including the subsidiaries that own properties that are security for the CMBS Financing, as defined in our 2012 10-K.

In January and February 2013, CEOC converted \$133.9 million aggregate principal amount of original maturity revolver commitments held by consenting lenders to Term B-6 Loans and terminated \$133.9 million principal amount of revolving commitments of extending lenders.

In connection with the February 2013 notes offering described in the CEOC Bond Offerings section below, CEOC received the requisite lenders' consent and entered into a bank amendment to its Credit Facilities to, among other things: (i) use the net cash proceeds of the February 2013 notes offering to repay a portion of CEOC's existing term loans as described in the CEOC Bond Offerings section below; (ii) obtain up to \$75.0 million of extended revolving facility commitments with a maturity of January 28, 2017, which received all required regulatory approvals in April 2013, (iii) increase the accordion capacity under the Credit Facilities by an additional \$650.0 million (which may be used to, among other things, establish extended revolving facility commitments under the Credit Facilities); (iv) modify the calculation of the senior secured leverage ratio for purposes of the maintenance test under the Credit Facilities to exclude the notes issued in February 2013; and (v) modify certain other provisions of the Credit Facilities.

As of June 30, 2013, our Credit Facilities provide for senior secured financing of up to \$4,633.4 million, consisting of (i) senior secured term loans in an aggregate principal amount of \$4,417.9 million, comprised of \$29.1 million maturing on January 28, 2015, \$965.0 million maturing on October 31, 2016, and \$3,423.8 million maturing on January 28, 2018, and (ii) a senior secured revolving credit facility in an aggregate principal amount of up to \$215.5 million, with \$109.4 million maturing January 28, 2014 and \$106.1 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 currently require scheduled quarterly payments of \$2.5 million, with the balance due at maturity. As of June 30, 2013, \$119.9 million of the revolving credit facility is committed to outstanding letters of credit. After consideration of the letter of credit commitments, \$95.6 million of additional borrowing capacity was available to the Company under its revolving credit facility as of June 30, 2013.

***CEOC Notes***

***Issuances***

In December 2012, CEOC completed the offering of \$750.0 million aggregate principal amount of 9.0% senior secured notes due 2020. On February 20, 2013, when the proceeds were released from escrow, CEOC used \$350.0 million of the proceeds to repay a portion of the existing term loans under the Credit Facilities at par.

In February 2013, CEOC completed the offering of \$1,500.0 million aggregate principal amount of 9.0% senior secured notes due 2020. On March 27, 2013, when the proceeds were released from escrow, CEOC used \$1,433.3 million of the proceeds to repay a portion of the existing term loans under the Credit Facilities at par.

**CAESARS ENTERTAINMENT CORPORATION**  
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As a result of these repayments, we recognized a loss on early extinguishment of debt of \$29.4 million during the first quarter of 2013.

Open Market Purchases

During the second quarter 2013, we completed open market purchases of CEOC debt securities as follows:

<u>Debt (dollars in millions)</u>	<u>Maturity</u>	<u>Face Value</u>	<u>Cash Paid</u>
5.375% Unsecured Senior Notes	2013	\$ 26.2	\$ 26.0
10.0% Second-Priority Senior Secured Notes	2018	25.0	14.9

In connection with the above transactions, we recorded a gain on early extinguishments of debt of \$2.4 million, net of discounts. The above securities were repurchased by a non-CEOC subsidiary of Caesars Entertainment and are still outstanding for purposes of CEOC.

**CMBS Financing and Open Market Purchases**

In February 2013, we paid an extension fee of \$23.3 million and exercised the option to extend the maturity of the CMBS Financing to 2014. The loan contains an additional extension option to extend its maturity from 2014 to 2015, subject to certain conditions. As part of the extension, we entered into a new interest rate cap agreement as further described in Note 9, "Derivative Instruments."

In June 2013, we purchased \$225.0 million of face value of CMBS debt for \$183.7 million, recognizing a pre-tax gain of \$39.0 million, net of deferred finance charges.

**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, or cause an event of default. Specifically, the 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. After giving effect to the February 2013 bank amendment to the Credit Facilities discussed above, this ratio excludes \$3,700.0 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. For purposes of calculating the senior secured leverage ratio, the amount of senior first priority secured debt is reduced by the amount of unrestricted cash on hand. As of June 30, 2013, CEOC's senior secured leverage ratio was 4.33 to 1.0.

In addition, certain covenants contained in CEOC's senior secured credit facilities and indentures covering its first priority senior secured notes and second 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 June 30, 2013, CEOC's total first priority secured leverage ratio and consolidated leverage ratio were 7.29 to 1.0 and 13.60 to 1.0, respectively. For the twelve months ended June 30, 2013, CEOC's LTM Adjusted EBITDA-Pro Forma - CEOC Restricted was insufficient to cover fixed charges by \$600.0 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.

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

**Note 9 — 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 June 30, 2013, 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 June 30, 2013 are as follows:

Effective Date	Notional Amount (In millions)	Fixed Rate Paid	Variable Rate Received as of June 30, 2013	Next Reset Date	Maturity Date
April 25, 2011	\$ 250.0	1.351%	0.193%	July 25, 2013	January 25, 2015
April 25, 2011	250.0	1.347%	0.193%	July 25, 2013	January 25, 2015
April 25, 2011	250.0	1.350%	0.193%	July 25, 2013	January 25, 2015
January 25, 2011	1,000.0	3.068%	0.193%	July 25, 2013	January 25, 2015
April 25, 2011	1,000.0	3.150%	0.193%	July 25, 2013	January 25, 2015
January 25, 2011	1,000.0	3.750%	0.193%	July 25, 2013	January 25, 2015
April 25, 2011	1,000.0	3.264%	0.193%	July 25, 2013	January 25, 2015
January 25, 2011	1,000.0	3.814%	0.193%	July 25, 2013	January 25, 2015

The variable rate on our interest rate swap instruments did not materially change as a result of the July 25, 2013 reset.

***Derivative Instruments – Interest Rate Cap Agreements***

In February 2013, in conjunction with exercising the option to extend the maturity of the CMBS Financing to 2014, we entered into a new interest rate cap agreement. The interest rate cap agreement, which is effective from February 13, 2013 and terminates February 13, 2015, is for a notional amount of \$4,664.1 million at a LIBOR cap rate of 4.5%. Any future changes in fair value of the interest rate cap will be recognized in interest expense during the period in which the changes in value occur.

***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 \$13.9 million as of June 30, 2013 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 de minimis as of June 30, 2013.

**CAESARS ENTERTAINMENT CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
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**Derivative Instruments – Impact on Consolidated Condensed Financial Statements**

None of our derivative instruments are offset, and the fair values of assets and liabilities are recognized in the Consolidated Condensed Balance Sheets. The following table represents the fair values of derivative instruments in the Consolidated Condensed Balance Sheets as of June 30, 2013 and December 31, 2012:

<b>(In millions)</b>	Asset Derivatives				Liability Derivatives						
	June 30, 2013		December 31, 2012		June 30, 2013		December 31, 2012				
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value			
<b>Derivatives not designated as hedging instruments</b>											
Interest rate swaps	\$	—		\$	—	Deferred credits and other	\$	(237.1)	Deferred credits and other	\$	(306.4)
Interest rate caps		0.1		—			—			—	
<b>Total derivatives</b>		\$ 0.1		\$ —			\$ (237.1)			\$ (306.4)	

The following table represents the effect of derivative instruments in the Consolidated Condensed Statements of Operations for the quarters ended June 30, 2013 and 2012:

<b>(In millions)</b>	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 June 30, 2013	Quarter Ended June 30, 2012		Quarter Ended June 30, 2013	Quarter Ended June 30, 2012		Quarter Ended June 30, 2013	Quarter Ended June 30, 2012
<b>Derivatives designated as hedging instruments</b>								
Interest rate contracts	\$ —	\$ —	Interest expense	\$ —	\$ 7.2	Interest expense	\$ —	\$ —

<b>(In millions)</b>	Amount of (Gain) or Loss Recognized in Net Loss		Location of (Gain) or Loss Recognized in Net Loss
	Quarter Ended June 30, 2013	Quarter Ended June 30, 2012	
<b>Derivatives not designated as hedging instruments</b>			
Interest rate contracts	\$ (45.5)	\$ (17.6)	Interest expense

**CAESARS ENTERTAINMENT CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
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The following table represents the effect of derivative instruments in the Consolidated Condensed Statements of Operations for the six months ended June 30, 2013 and 2012:

<u>(In millions)</u>	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)	
	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012		Six Months Ended June 30, 2013	Six Months Ended June 30, 2012		Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
<b>Derivatives designated as hedging instruments</b>								
Interest rate contracts	\$ —	\$ —	Interest expense	\$ 3.9	\$ 14.3	Interest expense	\$ —	\$ —

<u>(In millions)</u>	Amount of (Gain) or Loss Recognized in Net Loss		Location of (Gain) or Loss Recognized in Net Loss
	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	
<b>Derivatives not designated as hedging instruments</b>			
Interest rate contracts	\$ (66.5)	\$ 17.1	Interest expense

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 ended June 30, 2013 and 2012 by \$42.8 million and \$42.2 million, respectively, and increased interest expense for the six months ended June 30, 2013 and 2012 by \$85.0 million and \$84.0 million respectively.

At June 30, 2013, our variable-rate debt, excluding \$5,750.0 million of variable-rate debt hedged using interest rate swap agreements, represents 18% of our total debt, while our fixed-rate debt is 82% of our total debt.

**Note 10 — Stockholders' Equity and Non-controlling Interests**

***Common Stock***

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. During the quarter and six months ended June 30, 2013, the Company issued 900,493 shares with aggregate offering proceeds of \$12.6 million. During the quarter and six months ended June 30, 2012, the Company issued 15,000 shares for aggregate offering proceeds of \$0.2 million.

***Non-controlling Interests***

CBAC Gaming, LLC, the Company-led consortium developing Horseshoe Casino Baltimore, received additional capital contributions from minority shareholders of \$35.3 million in the quarter ended June 30, 2013. The investment increased the Company's non-controlling interest equity for partner contributions to the development of the project, net of pre-opening losses of \$2.1 million also allocated to non-controlling interest equity. The \$400 million development will be located in the City of Baltimore.

Financing for the project was obtained and the development broke ground in July 2013. For additional information on the financing see Note 21, "Subsequent Events."

**CAESARS ENTERTAINMENT CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
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**Note 11 — Reclassifications out of Accumulated Other Comprehensive Loss**

Reclassifications out of AOCL for the quarter and six months ended June 30, 2013 include the following:

(In millions)	Quarter Ended June 30, 2013			Six Months Ended June 30, 2013		
	Defined Benefit Plan Adjustments	Foreign Currency Translation Adjustments	Losses on Derivative Instruments	Defined Benefit Plan Adjustments	Foreign Currency Translation Adjustments	Losses on Derivative Instruments
Amount reclassified from AOCL to interest expense, net of capitalized interest	\$ 0.2	\$ —	\$ —	\$ 0.4	\$ —	\$ 3.9
Amount reclassified from AOCL to write-downs, reserves, and project opening costs, net of recoveries	—	—	—	—	(4.1)	—
Amount reclassified from AOCL to loss/(income) from discontinued operations	—	—	—	—	(2.2)	—
Related tax impact	—	—	—	(0.1)	—	(1.4)
Reclassification, net of income taxes	\$ 0.2	\$ —	\$ —	\$ 0.3	\$ (6.3)	\$ 2.5

Reclassifications out of AOCL for the quarter and six months ended June 30, 2012 include the following:

(In millions)	Quarter Ended June 30, 2012	Six Months Ended June 30, 2012
	Losses on Derivative Instruments	Losses on Derivative Instruments
Amount reclassified from AOCL to interest expense, net of capitalized interest	\$ 7.2	\$ 14.3
Related tax impact	(2.6)	(5.2)
Reclassification, net of income taxes	\$ 4.6	\$ 9.1

**Note 12 — Casino Promotional Allowances**

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

The estimated retail value of such casino promotional allowances is included in operating revenues as follows:

(In millions)	Quarter Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Food and Beverage	\$ 153.4	\$ 162.6	\$ 312.8	\$ 330.5
Rooms	112.6	120.1	223.2	238.3
Other	21.3	22.3	45.1	46.0
	\$ 287.3	\$ 305.0	\$ 581.1	\$ 614.8

The estimated cost of providing such casino promotional allowances is included in casino expenses as follows:

(In millions)	Quarter Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Food and Beverage	\$ 111.2	\$ 119.5	\$ 224.4	\$ 242.6
Rooms	43.2	46.4	87.4	92.0
Other	8.9	10.8	21.2	23.3
	\$ 163.3	\$ 176.7	\$ 333.0	\$ 357.9

**CAESARS ENTERTAINMENT CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
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**Note 13 — Loss Per Share**

Basic loss per share from continuing operations and discontinued operations is calculated by dividing loss from continuing operations and loss 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 quarters and six months ended June 30, 2013 and 2012, the weighted-average basic shares outstanding was used in calculating diluted loss per share from continuing operations, and diluted loss 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 as they were anti-dilutive:

(In millions)	Quarter Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Stock options	3.6	8.2	3.0	8.2
Warrants	0.4	0.4	0.4	0.4
Total anti-dilutive potential common shares	4.0	8.6	3.4	8.6

**Note 14 — 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 June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Remediation costs	\$ 6.9	\$ 3.6	\$ 19.0	\$ 6.0
Divestitures and abandonments	12.1	1.9	13.9	8.1
Efficiency projects	—	1.7	—	7.8
Project opening costs	2.9	0.1	4.6	1.8
Other	1.5	0.6	6.6	0.4
Total write-downs, reserves, and project opening costs, net of recoveries	\$ 23.4	\$ 7.9	\$ 44.1	\$ 24.1

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

Divestitures and abandonments include (gains)/losses on divested or abandoned assets, demolition costs and costs associated with various projects that are determined to no longer be viable. Costs incurred in the quarter and six months ended June 30, 2013 primarily relate to a previously halted development project and land lease obligations in Biloxi, Mississippi.

Efficiency projects represent costs incurred to identify and implement efficiency programs aimed at streamlining corporate and operating functions to achieve cost savings.

Project opening costs represents costs associated exclusively with opening a new property/project.

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

**CAESARS ENTERTAINMENT CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
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**Note 15 — Income Taxes**

Total income taxes were allocated as follows:

<u>(In millions)</u>	Quarter Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Income tax benefit on loss before income taxes	\$ (115.7)	\$ (105.9)	\$ (406.0)	\$ (264.2)
Income tax (benefit)/provision on discontinued operations	—	(3.9)	(2.8)	3.0
Accumulated other comprehensive (income)/loss	(0.3)	1.7	1.2	4.6

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 ended June 30, 2013 and 2012 was 35.6% and 39.6%, respectively. The effective rate benefit in the second quarter of 2013 was lower than 2012 primarily due to lower tax benefits from foreign operations.

The effective tax rate for the six months ended June 30, 2013 and 2012 was 51.3% and 37.0%, respectively. The effective rate benefit was higher for the first six months of 2013 primarily due to (i) a discrete tax benefit from a capital loss resulting from a tax election made for U.S. federal income tax purposes during the first quarter of 2013 which was retroactive to December 2012, (ii) retroactive U.S. tax law changes which were enacted in January 2013 and (iii) a favorable tax ruling in Israel received in February 2013.

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 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.

**Note 16 — 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 June 30, 2013 and December 31, 2012:

<u>(In millions)</u>	Balance	Level 1	Level 2	Level 3
<b>June 30, 2013</b>				
<b>Assets:</b>				
Investments	\$ 114.7	\$ 114.7	\$ —	\$ —
Derivative instruments	0.1	—	0.1	—
<b>Liabilities:</b>				
Derivative instruments	(237.1)	—	(237.1)	—
<b>December 31, 2012</b>				
<b>Assets:</b>				
Investments	\$ 114.2	\$ 114.2	\$ —	\$ —
Derivative instruments	*	—	*	—
<b>Liabilities:</b>				
Derivative instruments	(306.4)	—	(306.4)	—

\* Amount rounds to zero



**CAESARS ENTERTAINMENT CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
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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 equity and debt securities with maturity dates greater than 90 days at the date of the security's acquisition. 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. 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:

<b>(In millions)</b>	<b>June 30, 2013</b>	<b>December 31, 2012</b>
Equity securities	\$ 19.4	\$ 2.8
Government bonds	95.3	111.4
<b>Total investments</b>	<b>\$ 114.7</b>	<b>\$ 114.2</b>

Gross unrealized gains and losses on marketable securities at June 30, 2013 and December 31, 2012 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 9, "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 and liabilities that are required to be measured at fair value as of June 30, 2013 and the total adjustments recorded on these items during the six months ended June 30, 2013:

<b>(In millions)</b>	<b>Balance</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Adjustments Loss/(Gain)</b>
Intangible and tangible assets	\$ 34.5	\$ —	\$ 19.4	\$ 15.1	\$ 124.7
Net assets held for sale	393.3	—	—	393.3	21.0
Contingent earnout liability	54.5	—	—	54.5	48.9

Net assets held for sale represent the net assets of the subsidiaries that hold our land concession in Macau and the contingent earnout liability relates to CIE's acquisition of Buffalo's net assets, both of which are further described in Note 3, "Acquisitions, Investments, Dispositions and Divestitures."

Market and income approaches were used to value the intangible and tangible assets and net assets held for sale in accordance with the provisions of FASB Codification Subtopic 350, *Intangibles -- Goodwill and Other*, and Subtopic 360, *Property, Plant, and Equipment*, as appropriate. Inputs included an expected range of market values, probability assessments made by management that each outcome could be achieved, expected cash flows, recent comparable transactions, discounted cash flows, discount rate, royalty rate, growth rate, and tax rate. The fair value of our contingent liability is estimated based upon probability-weighted outcomes using the best information available including cash flow projections.

**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 June 30, 2013, for debt with similar terms and maturities, and based on market quotes of our publicly traded debt. As of June 30, 2013, the Company's outstanding debt had an estimated fair value of \$20,148.8 million and a carrying value of \$21,071.3 million.

**Note 17 — Litigation, Contractual Commitments and Contingent Liabilities**

***Litigation***

***Nevada Sales and Use Tax***

The Supreme Court of Nevada decided in early 2008 that food purchased for subsequent use in the provision of complimentary and/or employee meals is exempt from use tax. Previously, such purchases were subject to use tax and the Company has claimed, but not recognized into earnings, a use tax refund totaling \$32.2 million, plus interest, as a result of the 2008 decision. In early 2009, the Nevada Department of Taxation ("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, including that complimentary employee meals are not subject to sales tax. Although both the Company and the Department 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 the 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. On March 1, 2013, the District Court judge ruled that employee meals are not subject to sales tax but affirmed the application of sales tax to complimentary patron meals. Additionally, the judge ordered a refund of the portion of our use tax refund claims filed prior to October 1, 2005 without any offsetting sales tax assessments relating to complimentary patron meals for those periods. We appealed the District Court decision to the Nevada Supreme Court.

Subsequent to a written Commission decision issued in February 2012 for another gaming company, the Department issued draft regulations requiring the collection of sales tax on the retail value of complimentary meals and the cost of employee meals. 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 did not yet have the opportunity to approve the regulation and because there were several ongoing appeals that had not been heard by the Commission and the Nevada Supreme Court.

On May 31, 2013, we entered into a settlement agreement with the Department wherein we agreed to forgo our pending use tax refund claims, the Department agreed to abate the sales tax assessment of \$27.4 million and both parties stipulated to the dismissal of our respective cases. Additionally, during the 2013 Nevada legislative session, the legislature enacted legislation providing that the provision of complimentary meals to employees and patrons are excluded from the definition of the term "sale" for purposes of determining sales tax. As a result, we have reversed \$17.5 million in sales tax reserves originally accrued against a loss in this matter. This credit is included in property, general, administrative, and other in the accompanying Consolidated Condensed Statements of Operations.

***Other***

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

***Contractual Commitments***

Material changes to our aggregate indebtedness are described in Note 8, "Debt." At June 30, 2013, our estimated interest payments for the rest of the year ended December 31, 2013 are \$1,001.9 million, for the years ended December 31, 2014 through 2017 are \$2,010.8 million, \$1,670.4 million, \$1,517.0 million, and \$1,257.7 million, respectively, and our estimated interest payments thereafter are \$1,401.4 million.

As of June 30, 2013, there have been no material changes outside of the ordinary course of business to our other known contractual obligations, which are set forth in our 2012 10-K.

**CAESARS ENTERTAINMENT CORPORATION**  
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***Contingent Liabilities***

In December 1998, Hilton Hotels Corporation ("Hilton") spun-off its gaming operations as Park Place Entertainment Corporation ("Park Place"). In connection with the spin-off, Hilton and Park Place entered into various agreements, including an Employee Benefits and Other Employment Allocation Agreement dated December 31, 1998 (the "Allocation Agreement") whereby Park Place assumed or retained, as applicable, certain liabilities and excess assets, if any, related to the Hilton Hotels Retirement Plan (the "Hilton Plan") based on the accrued benefits of Hilton employees and Park Place employees. Park Place changed its name to Caesars Entertainment, Inc., and the Company acquired Caesars Entertainment, Inc. in June 2005. In 1999 and 2005, the United States District Court for the District of Columbia (the "Court") certified two nationwide classes in the lawsuit against Hilton and others alleging that the Hilton Plan's benefit formula was backloaded in violation of ERISA, and that Hilton and the other defendants failed to properly calculate Hilton Plan participants' service for vesting purposes. In May 2009, the Court issued a decision granting summary judgment to the plaintiffs. Thereafter, the Court required the parties to attempt to agree on a remedies determination and further required the parties to submit briefs to the Court in support of their positions. On September 7, 2010, the Court issued an opinion resolving certain of Hilton's and the plaintiffs' issues regarding a remedies determination and requiring the parties to confer and take other actions in an effort to resolve the remaining issues. On July 28 and 29, 2011, the Court held a hearing to address the remaining remedy issues and on August 31, 2011, the Court issued a Memorandum Opinion and a final Order (the "Order"). In the Order, the Court ordered, among other things, Hilton to award back payments and commence increased benefits for all class members no later than January 1, 2012 or, in the case of any individual benefit or vesting disputes, within 30 days after the final dispute resolution by the Court. On September 28, 2011, Hilton filed a Motion for Reconsideration to ask the Court to reconsider certain aspects of the Order. On October 5, 2011, Hilton filed a Notice of Appeal to appeal all aspects of the Order and all other orders in the case to the United States Court of Appeals for the District of Columbia Circuit (the "Circuit Court") and on December 22, 2011, plaintiffs filed a cross-appeal. On November 28, 2011, Hilton filed a motion to stay the implementation of the backloading remedy pending the appeal and on January 19, 2012, the Court granted Hilton's motion contingent upon Hilton posting a bond of \$75.8 million by no later than February 21, 2012. On December 14, 2012, the Circuit Court affirmed the decisions of the Court. At various times prior to the Court's 2010 opinion, we were advised by counsel for the defendants that the plaintiffs estimated that the damages were in the range of \$80.0 million to \$280.0 million. Counsel for the defendants further advised that approximately \$50.0 million of the damages relates to questions regarding the proper size of the class and the amount, if any, of damages to any additional class members due to issues with Hilton's record keeping.

The Company received a letter from Hilton dated October 7, 2009 notifying the Company for the first time of this lawsuit and alleging that the Company has potential liability for the above described claims under the terms of the Allocation Agreement. Based on the terms of the Allocation Agreement, the Company believes its maximum potential exposure is approximately 30 percent to 33 percent of the amount ultimately awarded as damages. The Company is not a party to the proceedings between the plaintiffs and the defendants and has not participated in the defense of the litigation or in any discussions between the plaintiffs and the defendants about potential remedies or damages. Further, the Company does not have access to information sufficient to enable the Company to make an independent judgment about the possible range of loss in connection with this matter. Based on conversations between our representative of the Company and a representative of the defendants, the Company believes it is probable that damages will be at least \$80.0 million and, accordingly, the Company recorded a charge of \$25.0 million in accordance with FASB Codification Subtopic 450, *Contingencies*, during the second quarter 2010 in relation to this matter. The Company has not changed its belief respecting the damages which may be awarded in this lawsuit as a result of the 2010 opinion of the Court, the Order, or the Circuit Court's rulings. The Company also continues to believe that it may have various defenses if a claim under the Allocation Agreement is asserted against the Company, including defenses as to the amount of damages. Because the Company has not had access to sufficient information regarding this matter, we cannot at this time predict the ultimate outcome of this matter or the possible additional loss, if any.

**Note 18 — Supplemental Cash Flow Information**

***Significant Non-cash Transactions***

Significant non-cash transactions during the six months ended June 30, 2013 include non-cash intangible asset impairment charges of \$23.0 million as further described in Note 7, "Goodwill and Other Intangible Assets," non-cash tangible asset impairment charges of \$101.7 million as further described in Note 6, "Property and Equipment, net," and non-cash charges of \$42.5 million related to discontinued operations as further described in Note 3, "Acquisitions, Investments, Dispositions and Divestitures."

Significant non-cash transactions during the six months ended June 30, 2012 include a contribution of 1.8 million shares by the Participating Co-Investors, a \$33.0 million non-cash impairment on trademark intangibles as further described in Note 7, "Goodwill and Other Intangible Assets," non-cash impairment charges on tangible assets of \$174.0 million as further described

**CAESARS ENTERTAINMENT CORPORATION**  
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in Note 6, "Property and Equipment, net," and tangible asset impairment charges related to discontinued operations of \$101.0 million as further described in Note 3, "Acquisitions, Investments, Dispositions and Divestitures."

**Cash Paid for Interest and Taxes**

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

<b>(In millions)</b>	<b>Six Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
Interest expense, net of interest capitalized	\$ 1,114.8	\$ 1,058.5
Adjustments to reconcile to cash paid for interest:		
Net change in accruals	(59.3)	22.8
Amortization of deferred finance charges	(28.2)	(52.5)
Net amortization of discounts and premiums	(141.8)	(111.1)
Amortization of accumulated other comprehensive loss	(4.3)	(14.3)
Rollover of PIK interest to principal	(0.6)	(0.5)
Change in fair value of derivative instruments	66.5	(17.1)
Cash paid for interest	\$ 947.1	\$ 885.8
Cash payments for income taxes, net	\$ 16.4	\$ 9.4

**Note 19 — 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:

<b>(In millions)</b>	<b>Quarter Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Amounts included in:				
Corporate expense	\$ 2.6	\$ 4.1	\$ 3.3	\$ 14.2
Property, general, administrative, and other	3.5	17.6	6.4	19.0
Total stock-based compensation expense	\$ 6.1	\$ 21.7	\$ 9.7	\$ 33.2

During the quarter ended June 30, 2013 and 2012, the Company recorded \$2.6 million and \$16.2 million, respectively, of expense related to stock-based awards of its subsidiaries, of which \$1.8 million and \$15.5 million, respectively, related to liability-classified awards that are re-measured to fair value at each reporting date, and \$0.8 million and \$0.7 million, respectively, related to equity-classified awards that are measured at their fair value at the date of grant.

During the six months ended June 30, 2013 and 2012, the Company recorded \$3.9 million and \$16.2 million, respectively, of expense related to stock-based awards of its subsidiaries, of which \$2.3 million and \$15.5 million, respectively, related to liability-classified awards that are re-measured to fair value at each reporting date, and \$1.6 million and \$0.7 million, respectively, related to equity-classified awards that are measured at their fair value at the date of grant.

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The following is a summary of share-based option activity, including options under the Company's 2008 incentive plan and the Company's 2012 incentive plan and warrants to purchase common stock, for the six months ended June 30, 2013:

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2012	8,478,148	\$ 12.22
Granted	545,812	\$ 13.64
Exercised	(31,640)	\$ 8.22
Canceled	(251,478)	\$ 12.46
Outstanding at June 30, 2013	8,740,842	\$ 12.32
Vested and expected to vest at June 30, 2013	6,819,442	\$ 12.37
Exercisable at June 30, 2013	1,362,327	\$ 11.69

***Award Issuances***

On June 28, 2013, the Company granted 1.6 million restricted stock units (the "RSUs") to employees of the Company with an aggregate grant date fair value of approximately \$21.3 million. Each RSU represents the right to receive payment in respect of one share of the Company's common stock. The majority of the RSUs will vest 25% annually beginning January 2, 2014.

**Note 20 — Related Party Transactions**

In connection with the Acquisition, the Sponsors entered into a services agreement with Caesars Entertainment relating to the provision of financial and strategic advisory services and consulting services. In addition, we pay a monitoring fee for management services and advice. Fees paid to the Sponsors, which are included in corporate expense in our Consolidated Condensed Statements of Operations, was \$7.5 million for each of the quarters ended June 30, 2013 and 2012, and \$15.0 million for each of the six-months period ended June 30, 2013 and 2012. We also reimburse the Sponsors for expenses that they incur related to their management services. We may engage in transactions with companies owned or controlled by affiliates of our Sponsors in the normal course of business. We believe such transactions are conducted at fair value. In addition, certain entities affiliated with or under the control of our Sponsors may from time to time transact in and hold our debt securities, and participate in any modifications of such instruments on terms available to any other holder of our debt.

**Note 21 — Subsequent Events**

***Horseshoe Baltimore Financing***

On July 2, 2013, CBAC Borrower, LLC ("CBAC"), a joint venture among Caesars Baltimore Investment Company, LLC (a wholly-owned indirect subsidiary of CEOC), Rock Gaming Mothership LLC, CVPR Gaming Holdings, LLC, STRON-MD Limited Partnership and PRT Two, LLC, entered into a credit agreement (the "Baltimore Credit Facility") in order to finance the acquisition of land in Baltimore, Maryland and the construction of the Horseshoe Baltimore and a garage (collectively, the "Baltimore Development").

The Baltimore Credit Facility provides for (i) a \$300.0 million senior secured term facility with a seven-year maturity, which is comprised of a \$225.0 million facility that was funded upon the closing of the Baltimore Credit Facility, a \$37.5 million delayed draw facility available from the closing of the Baltimore Credit Facility until the 12-month anniversary of the closing and a \$37.5 million delayed draw facility available until the 18-month anniversary of the closing and (ii) a \$10.0 million senior secured revolving facility with a five-year maturity. The Baltimore Credit Facility is secured by substantially all material assets of CBAC and its wholly-owned domestic subsidiaries.

Concurrently with the closing of the Baltimore Credit Facility, CBAC also entered into a term loan facility that provides for up to \$30.0 million of equipment financing (the "Baltimore FF&E Facility"). Under the Baltimore FF&E Facility, CBAC may use funds from the facility to finance or reimburse the purchase price and certain related costs of furniture, furnishings and equipment to be used in the Baltimore Development.

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**(UNAUDITED)**

***Caesars Acquisition Company***

On July 10, 2013, CAC filed a Registration Statement on Form S-1 in connection with the Growth Partners transaction described in Note 4, "Proposed Strategic Transaction."

***CEOC Notes***

***Open Market Purchases***

In July 2013, the Company purchased \$10.0 million of aggregate face value of 5.375% Unsecured Senior Notes, and any resulting gain or loss on early extinguishments of debt will be recognized during the third quarter of 2013.

***Macau Land Concession***

On August 6, 2013, the Company, along with certain of its wholly-owned subsidiaries, entered into a share purchase agreement ("Purchase Agreement") with Pearl Dynasty Investments Limited ("Pearl Dynasty"), pursuant to which Pearl Dynasty will purchase from the Company all of the equity interests of the subsidiaries that hold the Macau Land Concession for a purchase price of \$438.0 million subject to customary closing conditions.

The Purchase Agreement requires Pearl Dynasty to deposit certain amounts with the Company in connection with the transaction. Pearl Dynasty deposited \$21.9 million on August 7, 2013, and an additional \$43.8 million on August 8, 2013. The deposits will be applied to the purchase price at closing of the transaction.

Pearl Dynasty must complete the transaction within 90 days, subject to a right to extend the period for closing by one month. For the extension, Pearl Dynasty must deposit an additional \$8.0 million with the Company.

The Company is generally entitled to retain \$43.8 million (10% of the purchase price) plus any amount received in connection with extension of the time for closing as liquidated damages if Pearl Dynasty does not complete the transaction when required. Under certain limited circumstances, the Company may be required to return the deposit and pay liquidated damages to Pearl Dynasty in an amount of up to \$43.8 million if the Company does not complete the transaction when required or Pearl Dynasty terminates the agreement due to a breach of certain of the Company's representations in the Purchase Agreement.

The transactions contemplated by the Purchase Agreement are subject to customary closing conditions, and are expected to close in the final quarter of 2013. The Company expects to use the net proceeds from the sale, which are expected to be approximately \$420.0 million, to fund CEOC capital expenditures or to repurchase certain outstanding debt obligations of CEOC.

**Note 22 — Condensed 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 June 30, 2013, and December 31, 2012, and for the quarter and six months ended June 30, 2013 and 2012. 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**  
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**(UNAUDITED)**

**CONDENSED CONSOLIDATING BALANCE SHEET**  
**JUNE 30, 2013**  
**(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
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	\$ 195.0	\$ 731.1	\$ 304.6	\$ 580.0	\$ 884.6	\$ —	\$ 1,810.7
Restricted cash	10.5	—	1.0	76.9	77.9	—	88.4
Receivables, net of allowance for doubtful accounts	0.1	23.7	279.0	183.4	462.4	—	486.2
Deferred income taxes	—	33.4	72.7	18.0	90.7	—	124.1
Prepayments and other current assets	—	10.8	97.4	96.3	193.7	—	204.5
Inventories	—	0.2	30.3	15.8	46.1	—	46.3
Intercompany receivables	10.3	289.6	170.9	200.4	371.3	(671.2)	—
Assets held for sale	—	—	—	5.4	5.4	—	5.4
<b>Total current assets</b>	<b>215.9</b>	<b>1,088.8</b>	<b>955.9</b>	<b>1,176.2</b>	<b>2,132.1</b>	<b>(671.2)</b>	<b>2,765.6</b>
Property and equipment, net	—	186.0	8,409.6	6,869.9	15,279.5	(3.6)	15,461.9
Goodwill	—	—	1,330.9	1,821.9	3,152.8	—	3,152.8
Intangible assets other than goodwill	—	3.9	3,115.7	762.1	3,877.8	—	3,881.7
Investments in subsidiaries	—	11,286.2	914.4	863.2	1,777.6	(13,063.8)	—
Investments in and advances to non-consolidated affiliates	—	—	3.3	205.7	209.0	—	209.0
Restricted cash	—	—	—	246.0	246.0	—	246.0
Deferred charges and other	6.2	309.0	205.0	171.8	376.8	(5.3)	686.7
Intercompany receivables	325.1	1,074.0	585.4	55.0	640.4	(2,039.5)	—
Assets held for sale	—	—	—	441.1	441.1	—	441.1
	<u>\$ 547.2</u>	<u>\$ 13,947.9</u>	<u>\$ 15,520.2</u>	<u>\$ 12,612.9</u>	<u>\$ 28,133.1</u>	<u>\$ (15,783.4)</u>	<u>\$ 26,844.8</u>
<b>Liabilities and Stockholders' (Deficit)/Equity</b>							
<b>Current liabilities</b>							
Accounts payable	\$ 0.1	\$ 92.9	\$ 125.6	\$ 108.9	\$ 234.5	\$ —	\$ 327.5
Interest payable	—	254.5	0.7	29.6	30.3	—	284.8
Accrued expenses	3.6	161.8	388.6	603.4	992.0	—	1,157.4
Current portion of long-term debt	—	141.9	10.4	6.2	16.6	—	158.5
Intercompany payables	1.2	45.3	426.2	198.5	624.7	(671.2)	—
Liabilities held for sale	—	—	—	3.6	3.6	—	3.6
<b>Total current liabilities</b>	<b>4.9</b>	<b>696.4</b>	<b>951.5</b>	<b>950.2</b>	<b>1,901.7</b>	<b>(671.2)</b>	<b>1,931.8</b>
Long-term debt	—	15,911.7	61.8	5,898.0	5,959.8	(958.7)	20,912.8
Accumulated losses of subsidiaries in excess of investment	1,308.5	—	—	—	—	(1,308.5)	—
Deferred credits and other	—	469.0	152.8	136.0	288.8	—	757.8
Deferred income taxes	—	81.6	2,163.3	1,664.9	3,828.2	21.1	3,930.9
Intercompany payables	55.0	285.4	871.1	828.0	1,699.1	(2,039.5)	—
Liabilities held for sale	—	—	—	49.6	49.6	—	49.6
	<u>1,368.4</u>	<u>17,444.1</u>	<u>4,200.5</u>	<u>9,526.7</u>	<u>13,727.2</u>	<u>(4,956.8)</u>	<u>27,582.9</u>
Total Caesars stockholders' (deficit)/equity	(821.2)	(3,496.2)	11,319.7	2,974.5	14,294.2	(10,826.6)	(849.8)
Non-controlling interests	—	—	—	111.7	111.7	—	111.7
Total (deficit)/equity	<u>(821.2)</u>	<u>(3,496.2)</u>	<u>11,319.7</u>	<u>3,086.2</u>	<u>14,405.9</u>	<u>(10,826.6)</u>	<u>(738.1)</u>
	<u>\$ 547.2</u>	<u>\$ 13,947.9</u>	<u>\$ 15,520.2</u>	<u>\$ 12,612.9</u>	<u>\$ 28,133.1</u>	<u>\$ (15,783.4)</u>	<u>\$ 26,844.8</u>

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

**CONDENSED CONSOLIDATING BALANCE SHEET**  
**DECEMBER 31, 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
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	\$ 7.4	\$ 911.9	\$ 353.8	\$ 484.4	\$ 838.2	\$ —	\$ 1,757.5
Restricted cash	—	—	—	833.6	833.6	—	833.6
Receivables, less allowance for doubtful accounts	0.1	19.5	348.0	212.9	560.9	—	580.5
Deferred income taxes	—	17.4	75.7	21.8	97.5	—	114.9
Prepayments and other current assets	5.0	8.3	66.8	69.9	136.7	—	150.0
Inventories	—	0.3	31.7	20.0	51.7	—	52.0
Intercompany receivables	29.6	295.5	136.8	97.2	234.0	(559.1)	—
Assets held for sale	—	—	—	5.1	5.1	—	5.1
Total current assets	42.1	1,252.9	1,012.8	1,744.9	2,757.7	(559.1)	3,493.6
Property and equipment, net	—	189.9	8,534.6	6,977.2	15,511.8	—	15,701.7
Goodwill	—	—	1,331.0	1,829.3	3,160.3	—	3,160.3
Intangible assets other than goodwill	—	4.2	3,183.0	798.5	3,981.5	—	3,985.7
Investments in subsidiaries	—	11,669.6	920.3	790.7	1,711.0	(13,380.6)	—
Investments in and advances to non-consolidated affiliates	—	—	3.0	97.4	100.4	—	100.4
Restricted cash	—	—	—	364.6	364.6	—	364.6
Deferred charges and other	7.5	298.4	184.8	236.6	421.4	(6.7)	720.6
Intercompany receivables	563.1	1,089.6	585.9	153.8	739.7	(2,392.4)	—
Assets held for sale	—	—	—	471.2	471.2	—	471.2
	<u>\$ 612.7</u>	<u>\$ 14,504.6</u>	<u>\$ 15,755.4</u>	<u>\$ 13,464.2</u>	<u>\$ 29,219.6</u>	<u>\$ (16,338.8)</u>	<u>\$ 27,998.1</u>
<b>Liabilities and Stockholders' (Deficit)/Equity</b>							
<b>Current liabilities</b>							
Accounts payable	\$ 3.9	\$ 75.9	\$ 156.5	\$ 139.9	\$ 296.4	\$ —	\$ 376.2
Interest payable	—	176.0	0.4	57.3	57.7	—	233.7
Accrued expenses	3.7	164.7	434.7	491.6	926.3	—	1,094.7
Current portion of long-term debt	—	126.2	10.7	743.0	753.7	—	879.9
Intercompany payables	15.9	88.1	284.8	170.3	455.1	(559.1)	—
Liabilities held for sale	—	—	—	3.8	3.8	—	3.8
Total current liabilities	23.5	630.9	887.1	1,605.9	2,493.0	(559.1)	2,588.3
Long-term debt	—	15,257.0	64.8	6,122.9	6,187.7	(912.5)	20,532.2
Accumulated losses of subsidiaries in excess of investment	925.4	—	—	—	—	(925.4)	—
Deferred credits and other	4.1	535.0	160.2	123.7	283.9	—	823.0
Deferred income taxes	—	422.6	2,188.9	1,714.7	3,903.6	7.9	4,334.1
Intercompany payables	55.0	614.5	871.7	851.2	1,722.9	(2,392.4)	—
Liabilities held for sale	—	—	—	52.1	52.1	—	52.1
	<u>1,008.0</u>	<u>17,460.0</u>	<u>4,172.7</u>	<u>10,470.5</u>	<u>14,643.2</u>	<u>(4,781.5)</u>	<u>28,329.7</u>
Total Caesars stockholders' (deficit)/equity	(395.3)	(2,955.4)	11,582.7	2,913.6	14,496.3	(11,557.3)	(411.7)
Non-controlling interests	—	—	—	80.1	80.1	—	80.1
Total (deficit)/equity	<u>(395.3)</u>	<u>(2,955.4)</u>	<u>11,582.7</u>	<u>2,993.7</u>	<u>14,576.4</u>	<u>(11,557.3)</u>	<u>(331.6)</u>
	<u>\$ 612.7</u>	<u>\$ 14,504.6</u>	<u>\$ 15,755.4</u>	<u>\$ 13,464.2</u>	<u>\$ 29,219.6</u>	<u>\$ (16,338.8)</u>	<u>\$ 27,998.1</u>



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

**CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE (LOSS)/INCOME**  
**FOR THE QUARTER ENDED JUNE 30, 2013**  
**(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
<b>Revenues</b>							
Casino	\$ —	\$ 16.5	\$ 865.9	\$ 552.7	\$ 1,418.6	\$ —	\$ 1,435.1
Food and beverage	—	3.5	208.3	174.3	382.6	—	386.1
Rooms	—	4.8	164.2	153.3	317.5	—	322.3
Management fees	—	1.7	14.2	6.4	20.6	(5.1)	17.2
Other	—	11.9	92.7	225.0	317.7	(44.8)	284.8
Less: casino promotional allowances	—	(4.8)	(168.9)	(113.6)	(282.5)	—	(287.3)
Net revenues	—	33.6	1,176.4	998.1	2,174.5	(49.9)	2,158.2
<b>Operating expenses</b>							
<b>Direct</b>							
Casino	—	9.4	516.1	294.1	810.2	—	819.6
Food and beverage	—	1.4	87.5	80.6	168.1	—	169.5
Rooms	—	0.7	40.2	41.3	81.5	—	82.2
Property, general, administrative, and other	—	1.7	290.7	342.2	632.9	(40.8)	593.8
Depreciation and amortization	—	0.9	85.6	54.8	140.4	—	141.3
Write-downs, reserves, and project opening costs, net of recoveries	—	0.5	16.7	6.2	22.9	—	23.4
Intangible and tangible asset impairment charges	—	—	80.3	24.4	104.7	—	104.7
(Income)/loss on interests in non-consolidated affiliates	—	—	(0.2)	14.0	13.8	—	13.8
Loss/(income) on interests in subsidiaries	208.0	(44.7)	(11.0)	—	(11.0)	(152.3)	—
Corporate expense	6.2	25.5	7.2	11.5	18.7	(9.1)	41.3
Acquisition and integration costs	—	4.9	0.2	(2.9)	(2.7)	—	2.2
Amortization of intangible assets	—	0.2	22.1	18.8	40.9	—	41.1
Total operating expenses	214.2	0.5	1,135.4	885.0	2,020.4	(202.2)	2,032.9
(Loss)/income from operations	(214.2)	33.1	41.0	113.1	154.1	152.3	125.3
Interest expense, net of interest capitalized	4.1	(499.6)	(14.6)	(84.8)	(99.4)	54.8	(540.1)
Loss on early extinguishments of debt	—	—	—	41.3	41.3	—	41.3
Gain on partial sale of subsidiary	—	—	(8.9)	53.0	44.1	—	44.1
Other income, including interest income	3.5	12.7	5.1	47.1	52.2	(63.6)	4.8
(Loss)/income from continuing operations before income taxes	(206.6)	(453.8)	22.6	169.7	192.3	143.5	(324.6)
(Provision)/benefit for income taxes	(0.5)	168.5	(9.5)	(45.9)	(55.4)	3.1	115.7
Net (loss)/income from continuing operations, net of taxes	(207.1)	(285.3)	13.1	123.8	136.9	146.6	(208.9)
<b>Discontinued operations</b>							
Loss from discontinued operations	—	—	—	(0.3)	(0.3)	—	(0.3)
Benefit for income taxes	—	—	—	—	—	—	—
Loss from discontinued operations, net of income taxes	—	—	—	(0.3)	(0.3)	—	(0.3)
Net (loss)/income	(207.1)	(285.3)	13.1	123.5	136.6	146.6	(209.2)
Less: net income attributable to non-controlling interests	—	—	—	(3.0)	(3.0)	—	(3.0)
Net (loss)/income attributable to Caesars	(207.1)	(285.3)	13.1	120.5	133.6	146.6	(212.2)
<b>Other comprehensive (loss)/income:</b>							
Total other comprehensive (loss)/income, net of income taxes	—	0.2	—	(65.0)	(65.0)	54.9	(9.9)
Less: foreign currency translation adjustments attributable to non-controlling interests, net of income taxes	—	—	—	0.1	0.1	—	0.1
Comprehensive (loss)/income attributable to Caesars	\$ (207.1)	\$ (285.1)	\$ 13.1	\$ 55.6	\$ 68.7	\$ 201.5	\$ (222.0)

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

**CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE (LOSS)/INCOME**  
**FOR THE QUARTER ENDED JUNE 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
<b>Revenues</b>							
Casino	\$ —	\$ 15.3	\$ 959.8	\$ 576.8	\$ 1,536.6	\$ —	\$ 1,551.9
Food and beverage	—	3.3	208.2	173.8	382.0	—	385.3
Rooms	—	5.3	163.8	147.3	311.1	—	316.4
Management fees	—	2.1	13.4	1.9	15.3	(5.1)	12.3
Other	—	6.3	90.5	145.8	236.3	(39.8)	202.8
Less: casino promotional allowances	—	(5.3)	(181.0)	(118.7)	(299.7)	—	(305.0)
Net revenues	—	27.0	1,254.7	926.9	2,181.6	(44.9)	2,163.7
<b>Operating expenses</b>							
<b>Direct</b>							
Casino	—	9.6	556.4	332.1	888.5	—	898.1
Food and beverage	—	1.6	84.2	83.9	168.1	—	169.7
Rooms	—	0.5	39.1	41.1	80.2	—	80.7
Property, general, administrative, and other	—	3.3	281.1	276.6	557.7	(40.1)	520.9
Depreciation and amortization	—	1.7	110.0	63.8	173.8	—	175.5
Write-downs, reserves, and project opening costs, net of recoveries	—	1.5	6.2	0.2	6.4	—	7.9
Intangible and tangible asset impairment charges	—	—	33.0	—	33.0	—	33.0
Loss on interests in non-consolidated affiliates	—	—	0.9	2.3	3.2	—	3.2
Loss/(income) on interests in subsidiaries	240.0	(9.5)	(7.6)	—	(7.6)	(222.9)	—
Corporate expense	6.5	25.8	7.2	6.6	13.8	(4.8)	41.3
Acquisition and integration costs	—	0.8	—	0.3	0.3	—	1.1
Amortization of intangible assets	—	0.2	26.3	16.7	43.0	—	43.2
Total operating expenses	246.5	35.5	1,136.8	823.6	1,960.4	(267.8)	1,974.6
(Loss)/income from operations	(246.5)	(8.5)	117.9	103.3	221.2	222.9	189.1
Interest expense, net of interest capitalized	—	(461.8)	(6.8)	(76.7)	(83.5)	48.8	(496.5)
Gains on early extinguishments of debt	—	—	—	33.7	33.7	—	33.7
Other income, including interest income	3.9	14.3	5.2	31.9	37.1	(48.8)	6.5
(Loss)/income from continuing operations before income taxes	(242.6)	(456.0)	116.3	92.2	208.5	222.9	(267.2)
Benefit/(provision) for income taxes	0.9	168.9	(38.3)	(30.4)	(68.7)	4.8	105.9
(Loss)/income from continuing operations, net of income taxes	(241.7)	(287.1)	78.0	61.8	139.8	227.7	(161.3)
<b>Discontinued operations</b>							
Income/(loss) from discontinued operations	—	—	22.9	(107.3)	(84.4)	—	(84.4)
(Provision)/benefit for income taxes	—	—	(4.0)	12.7	8.7	(4.8)	3.9
Income/(loss) from discontinued operations, net of income taxes	—	—	18.9	(94.6)	(75.7)	(4.8)	(80.5)
Net (loss)/income	(241.7)	(287.1)	96.9	(32.8)	64.1	222.9	(241.8)
Less: net loss attributable to non-controlling interests	—	—	—	0.1	0.1	—	0.1
Net (loss)/income attributable to Caesars	(241.7)	(287.1)	96.9	(32.7)	64.2	222.9	(241.7)
<b>Other comprehensive (loss)/income:</b>							
Total other comprehensive (loss)/income, net of income taxes	—	(13.6)	—	16.5	16.5	—	2.9
Less: foreign currency translation adjustments attributable to non-controlling interests, net of income taxes	—	—	—	(0.5)	(0.5)	—	(0.5)
Comprehensive (loss)/income attributable to Caesars	\$ (241.7)	\$ (300.7)	\$ 96.9	\$ (16.7)	\$ 80.2	\$ 222.9	\$ (239.3)

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

**CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME/(LOSS)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2013**  
**(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
<b>Revenues</b>							
Casino	\$ —	\$ 28.5	\$ 1,780.4	\$ 1,121.3	\$ 2,901.7	\$ —	\$ 2,930.2
Food and beverage	—	6.3	412.6	347.3	759.9	—	766.2
Rooms	—	8.1	313.4	289.0	602.4	—	610.5
Management fees	—	—	30.7	11.1	41.8	(14.0)	27.8
Other	—	25.3	181.9	430.7	612.6	(90.3)	547.6
Less: casino promotional allowances	—	(8.4)	(340.2)	(232.5)	(572.7)	—	(581.1)
Net revenues	—	59.8	2,378.8	1,966.9	4,345.7	(104.3)	4,301.2
<b>Operating expenses</b>							
<b>Direct</b>							
Casino	—	17.9	1,037.9	598.6	1,636.5	—	1,654.4
Food and beverage	—	2.7	172.7	159.3	332.0	—	334.7
Rooms	—	1.2	74.9	79.4	154.3	—	155.5
Property, general, administrative, and other	—	6.0	585.8	667.2	1,253.0	(83.8)	1,175.2
Depreciation and amortization	—	2.0	186.6	114.5	301.1	(0.1)	303.0
Write-downs, reserves, and project opening costs, net of recoveries	—	0.5	21.4	22.2	43.6	—	44.1
Intangible and tangible asset impairment charges	—	—	100.3	24.4	124.7	—	124.7
Income on interests in non-consolidated affiliates.	—	—	(0.3)	16.7	16.4	—	16.4
Loss/(income) on interests in subsidiaries	428.4	(176.3)	(6.9)	—	(6.9)	(245.2)	—
Corporate expense	7.9	55.9	8.7	25.3	34.0	(20.5)	77.3
Acquisition and integration costs	—	16.5	0.2	49.7	49.9	—	66.4
Amortization of intangible assets	—	0.3	44.2	38.0	82.2	—	82.5
Total operating expenses	436.3	(73.3)	2,225.5	1,795.3	4,020.8	(349.6)	4,034.2
(Loss)/income from operations	(436.3)	133.1	153.3	171.6	324.9	245.3	267.0
Interest expense, net of interest capitalized	3.5	(1,014.7)	(29.3)	(186.4)	(215.7)	112.1	(1,114.8)
Gains on early extinguishments of debt	—	(29.3)	—	33.9	33.9	—	4.6
Gain on partial sale of subsidiary	—	—	(8.9)	53.0	44.1	—	44.1
Other income, including interest income	16.1	29.7	10.1	91.2	101.3	(138.8)	8.3
(Loss)/income from continuing operations before income taxes	(416.7)	(881.2)	125.2	163.3	288.5	218.6	(790.8)
Benefit/(provision) for income taxes	(1.3)	373.2	58.2	(30.7)	27.5	6.6	406.0
Net (loss)/income from continuing operations, net of taxes	(418.0)	(508.0)	183.4	132.6	316.0	225.2	(384.8)
<b>Discontinued operations</b>							
Income from discontinued operations	—	—	(0.8)	(43.4)	(44.2)	—	(44.2)
Provision for income taxes	—	—	0.4	2.4	2.8	—	2.8
Income from discontinued operations, net of income taxes	—	—	(0.4)	(41.0)	(41.4)	—	(41.4)
Net (loss)/income	(418.0)	(508.0)	183.0	91.6	274.6	225.2	(426.2)
Less: net loss attributable to non-controlling interests	—	—	—	(3.9)	(3.9)	—	(3.9)
Net (loss)/income attributable to Caesars	(418.0)	(508.0)	183.0	87.7	270.7	225.2	(430.1)
<b>Other comprehensive (loss)/income:</b>							
Total other comprehensive (loss)/income, net of income taxes	—	(12.9)	—	(5.0)	(5.0)	(5.0)	(22.9)
Less: foreign currency translation adjustments attributable to non-controlling interests, net of income taxes	—	—	—	0.1	0.1	—	0.1
Comprehensive (loss)/income attributable to Caesars	\$ (418.0)	\$ (520.9)	\$ 183.0	\$ 82.8	\$ 265.8	\$ 220.2	\$ (452.9)

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

**CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE (LOSS)/INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 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
<b>Revenues</b>							
Casino	\$ —	\$ 25.6	\$ 1,966.9	\$ 1,184.4	\$ 3,151.3	\$ —	\$ 3,176.9
Food and beverage	—	6.0	413.4	348.0	761.4	—	767.4
Rooms	—	8.5	321.0	290.7	611.7	—	620.2
Management fees	—	2.2	30.0	3.0	33.0	(13.3)	21.9
Other	—	20.3	190.7	272.3	463.0	(85.1)	398.2
Less: casino promotional allowances	—	(9.0)	(364.2)	(241.6)	(605.8)	—	(614.8)
Net revenues	—	53.6	2,557.8	1,856.8	4,414.6	(98.4)	4,369.8
<b>Operating expenses</b>							
<b>Direct</b>							
Casino	—	17.8	1,131.9	673.2	1,805.1	—	1,822.9
Food and beverage	—	3.0	166.2	162.3	328.5	—	331.5
Rooms	—	0.8	74.2	80.8	155.0	—	155.8
Property, general, administrative, and other	—	13.0	573.9	526.1	1,100.0	(81.3)	1,031.7
Depreciation and amortization	—	3.4	218.4	133.2	351.6	—	355.0
Write-downs, reserves, and project opening costs, net of recoveries	—	4.6	15.7	3.8	19.5	—	24.1
Intangible and tangible asset impairment charges	—	—	200.5	6.5	207.0	—	207.0
Loss on interests in non-consolidated affiliates	—	—	0.8	9.5	10.3	—	10.3
Loss/(income) on interests in subsidiaries	520.3	(5.0)	4.9	—	4.9	(520.2)	—
Corporate expense	12.1	63.5	13.9	21.1	35.0	(17.1)	93.5
Acquisition and integration costs	—	0.7	—	0.5	0.5	—	1.2
Amortization of intangible assets	—	0.3	49.6	36.5	86.1	—	86.4
Total operating expenses	532.4	102.1	2,450.0	1,653.5	4,103.5	(618.6)	4,119.4
(Loss)/income from operations	(532.4)	(48.5)	107.8	203.3	311.1	520.2	250.4
Interest expense, net of interest capitalized	—	(970.9)	(14.5)	(171.9)	(186.4)	98.8	(1,058.5)
Gains on early extinguishments of debt	—	—	—	79.5	79.5	—	79.5
Other income, including interest income	9.0	29.2	10.8	64.5	75.3	(98.8)	14.7
(Loss)/income from continuing operations before income taxes	(523.4)	(990.2)	104.1	175.4	279.5	520.2	(713.9)
Benefit/(provision) for income taxes	1.1	354.1	(39.4)	(60.4)	(99.8)	8.8	264.2
(Loss)/income from continuing operations, net of income taxes	(522.3)	(636.1)	64.7	115.0	179.7	529.0	(449.7)
<b>Discontinued operations</b>							
Income/(loss) from discontinued operations	—	—	41.9	(112.1)	(70.2)	—	(70.2)
(Provision)/benefit for income taxes	—	—	(7.4)	13.2	5.8	(8.8)	(3.0)
Income/(loss) from discontinued operations, net of income taxes	—	—	34.5	(98.9)	(64.4)	(8.8)	(73.2)
Net (loss)/income	(522.3)	(636.1)	99.2	16.1	115.3	520.2	(522.9)
Less: net loss attributable to non-controlling interests	—	—	—	0.6	0.6	—	0.6
Net (loss)/income attributable to Caesars	(522.3)	(636.1)	99.2	16.7	115.9	520.2	(522.3)
<b>Other comprehensive (loss)/income:</b>							
Total other comprehensive (loss)/income, net of income taxes	—	(25.8)	—	38.0	38.0	—	12.2
Less: foreign currency translation adjustments attributable to non-controlling interests, net of income taxes	—	—	—	(1.5)	(1.5)	—	(1.5)
Comprehensive (loss)/income attributable to Caesars	\$ (522.3)	\$ (661.9)	\$ 99.2	\$ 53.2	\$ 152.4	\$ 520.2	\$ (511.6)

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

**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2013**  
**(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	\$ 215.2	\$ (492.7)	\$ 120.3	\$ 99.4	\$ 219.7	\$ 0.8	\$ (57.0)
Cash flows from investing activities							
Acquisitions of property and equipment, net of change in related payables	—	(3.9)	(159.9)	(156.5)	(316.4)	—	(320.3)
Change in restricted cash	(10.5)	—	(1.0)	875.3	874.3	—	863.8
Proceeds from partial sale of a subsidiary, net of cash deconsolidated	—	—	(25.7)	76.1	50.4	—	50.4
Investments in/advances to non-consolidated affiliates and other	—	—	—	(27.8)	(27.8)	—	(27.8)
Purchase of additional interests in subsidiaries	(267.5)	(7.4)	—	—	—	274.9	—
Dividends received	—	48.4	74.2	—	74.2	(122.6)	—
Purchases of investment securities	—	—	—	(1.7)	(1.7)	—	(1.7)
Proceeds from the sale and maturity of investment securities	—	—	—	16.1	16.1	—	16.1
Other	(0.2)	(0.1)	(2.4)	(4.3)	(6.7)	—	(7.0)
Cash flows (used in)/provided by investing activities	(278.2)	37.0	(114.8)	777.2	662.4	152.3	573.5
Cash flows from financing activities							
Proceeds from issuance of long-term debt	—	127.0	—	1,462.5	1,462.5	—	1,589.5
Assumption of debt issued by non-guarantors	—	2,199.4	—	(2,199.4)	(2,199.4)	—	—
Debt issuance costs and fees	—	(47.3)	—	—	—	—	(47.3)
Cash paid for early extinguishments of debt	—	(1,783.3)	—	(227.0)	(227.0)	—	(2,010.3)
Cash paid for loan maturity extension fees	—	—	—	(23.3)	(23.3)	—	(23.3)
Scheduled debt retirements	—	(5.6)	(1.5)	—	(1.5)	—	(7.1)
Dividends paid	—	—	(48.4)	(74.2)	(122.6)	122.6	—
Contributions from non controlling interest owners	—	—	—	35.3	35.3	—	35.3
Issuance of common stock, net of fees	12.6	—	—	—	—	—	12.6
Other	—	—	(4.2)	(8.8)	(13.0)	—	(13.0)
Transfers from/(to) affiliates	238.0	(215.3)	(0.2)	253.2	253.0	(275.7)	—
Cash flows provided by/(used in) financing activities	250.6	274.9	(54.3)	(781.7)	(836.0)	(153.1)	(463.6)
Cash flows from discontinued operations							
Cash flows from operating activities	—	—	(0.4)	0.8	0.4	—	0.4
Cash flows from investing activities	—	—	—	—	—	—	—
Net cash (used in)/provided by discontinued operations	—	—	(0.4)	0.8	0.4	—	0.4
Net increase/(decrease) in cash and cash equivalents	187.6	(180.8)	(49.2)	95.7	46.5	—	53.3
Change in cash classified as assets held for sale	—	—	—	(0.1)	(0.1)	—	(0.1)
Cash and cash equivalents, beginning of period	7.4	911.9	353.8	484.4	838.2	—	1,757.5
Cash and cash equivalents, end of period	\$ 195.0	\$ 731.1	\$ 304.6	\$ 580.0	\$ 884.6	\$ —	\$ 1,810.7

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

**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 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	\$ 175.5	\$ (137.9)	\$ (99.7)	\$ 133.6	\$ 33.9	\$ —	\$ 71.5
Cash flows from investing activities							
Acquisitions of property and equipment, net of change in related payables	—	(3.0)	(66.0)	(123.0)	(189.0)	—	(192.0)
Change in restricted cash	—	—	—	100.7	100.7	—	100.7
Payments to acquire businesses, net of transaction costs and cash acquired	—	—	—	15.2	15.2	—	15.2
Investments in/advances to non-consolidated affiliates	—	—	—	(13.9)	(13.9)	—	(13.9)
Return of investment in subsidiary	—	—	92.5	—	92.5	(92.5)	—
Purchase of additional interests in subsidiaries	(127.7)	(13.9)	—	—	—	141.6	—
Purchases of investment securities	—	—	—	(18.9)	(18.9)	—	(18.9)
Proceeds from the sale and maturity of investment securities	—	—	—	12.9	12.9	—	12.9
Other	(0.8)	—	(5.6)	2.2	(3.4)	—	(4.2)
Cash flows (used in)/provided by investing activities	(128.5)	(16.9)	20.9	(24.8)	(3.9)	49.1	(100.2)
Cash flows from financing activities							
Proceeds from the issuance of long-term debt	—	1,351.6	—	358.5	358.5	—	1,710.1
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	—	(7.6)	(1.4)	—	(1.4)	—	(9.0)
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, net of fees	17.4	—	—	—	—	—	17.4
Other	—	—	(7.3)	(3.8)	(11.1)	—	(11.1)
Transfer (to)/from affiliates	(60.3)	176.3	0.1	(67.0)	(66.9)	(49.1)	—
Cash flows (used in)/provided by financing activities	(42.9)	245.0	(18.2)	(42.3)	(60.5)	(49.1)	92.5
Cash flows from discontinued operations							
Cash flows from operating activities	—	—	28.6	(0.8)	27.8	—	27.8
Cash flows from investing activities	—	—	(2.3)	(0.2)	(2.5)	—	(2.5)
Net cash provided by/(used in) discontinued operations	—	—	26.3	(1.0)	25.3	—	25.3
Net increase/(decrease) in cash and cash equivalents	4.1	90.2	(70.7)	65.5	(5.2)	—	89.1
Change in cash classified as assets held for sale	—	—	0.4	0.5	0.9	—	0.9
Cash and cash equivalents, beginning of period	3.9	16.6	372.5	498.2	870.7	—	891.2
Cash and cash equivalents, end of period	\$ 8.0	\$ 106.8	\$ 302.2	\$ 564.2	\$ 866.4	\$ —	\$ 981.2

## 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 quarter and six months ended June 30, 2013 and 2012 should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations presented in our 2012 10-K.

### 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 June 30, 2013 or otherwise noted below), have been grouped into four regions as shown in the table below to facilitate discussion of the Company's operating results.

Las Vegas	Atlantic City	Other U.S.	Managed and International
Caesars Palace	Harrah's Atlantic City	Harrah's New Orleans	Harrah's Ak-Chin <sup>(e)</sup>
Bally's Las Vegas	Showboat Atlantic City	Harrah's Louisiana Downs	Harrah's Cherokee <sup>(e)</sup>
Flamingo Las Vegas <sup>(a)</sup>	Bally's Atlantic City	Horseshoe Bossier City	Harrah's Rincon <sup>(e)</sup>
Harrah's Las Vegas	Caesars Atlantic City	Grand Casino Biloxi	Horseshoe Cleveland <sup>(e) (f)</sup>
Paris Las Vegas	Harrah's Philadelphia <sup>(c)</sup>	Harrah's Tunica	Horseshoe Cincinnati <sup>(e) (f)</sup>
Rio		Horseshoe Tunica	Conrad Punta del Este <sup>(g)</sup>
The Quad Resort & Casino		Tunica Roadhouse Hotel & Casino	Caesars Windsor <sup>(h)</sup>
Bill's Gamblin' Hall & Saloon <sup>(b)</sup>		Harrah's North Kansas City	London Clubs International <sup>(i)</sup>
Planet Hollywood Resort & Casino		Harrah's Council Bluffs	ThistleDown Racino <sup>(e) (f)</sup>
		Horseshoe Council Bluffs/Bluffs Run	
		Horseshoe Southern Indiana	
		Harrah's Joliet <sup>(d)</sup>	
		Harrah's Metropolis	
		Horseshoe Hammond	
		Harrah's Reno	
		Harrah's Lake Tahoe	
		Harveys Lake Tahoe	
		Harrah's Laughlin	

<sup>(a)</sup> 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 as part of The Quad Resort & Casino.

<sup>(b)</sup> Bill's Gamblin' Hall & Saloon temporarily closed in early February 2013 to accommodate the renovations into a boutique lifestyle hotel that includes a dayclub/nightclub. The renovated hotel and casino are expected to re-open as the Gansevoort Las Vegas in early 2014 and the dayclub/nightclub is expected to open in the first half of 2014.

<sup>(c)</sup> We have a 99.5% ownership interest in and manage this property.

<sup>(d)</sup> We have an 80% ownership interest in and manage this property.

<sup>(e)</sup> Managed.

<sup>(f)</sup> We have a 20% interest in Rock Ohio Caesars, LLC, which owns this property.

<sup>(g)</sup> On May 31, 2013, the Company sold 45% of its equity interest in Conrad Punta del Este and, as a result of this transaction, no longer consolidates its results, but instead accounts for it as an equity method investment. The results of Conrad Punta del Este are included in consolidated results through May 31, 2013 and the equity method income or loss is included in (loss)/income from operations beginning June 1, 2013.

<sup>(h)</sup> We operate this property and the province of Ontario owns the complex through the Ontario Lottery and Gaming Corporation.

<sup>(i)</sup> We own, operate, or manage nine 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.

## Consolidated Operating Results

(Dollars in millions)	Quarter Ended June 30,		Percent Favorable/ (Unfavorable)	Six Months Ended June 30,		Percent Favorable/ (Unfavorable)
	2013	2012		2013	2012	
Casino revenues	\$ 1,435.1	\$ 1,551.9	(7.5)%	\$ 2,930.2	\$ 3,176.9	(7.8)%
Net revenues	2,158.2	2,163.7	(0.3)%	4,301.2	4,369.8	(1.6)%
Income from operations	125.3	189.1	(33.7)%	267.0	250.4	6.6 %
Loss from continuing operations, net of income taxes	(208.9)	(161.3)	(29.5)%	(384.8)	(449.7)	14.4 %
Loss from discontinued operations, net of income taxes	(0.3)	(80.5)	99.6 %	(41.4)	(73.2)	43.4 %
Net loss attributable to Caesars	(212.2)	(241.7)	12.2 %	(430.1)	(522.3)	17.7 %
Operating Margin <sup>(1)</sup>	5.8%	8.7%	(2.9) pts	6.2%	5.7%	0.5 pts
Property EBITDA <sup>(2)</sup>	\$ 492.8	\$ 518.3	(4.9)%	979.9	\$ 1,074.8	(8.7)%

Casino revenues, net revenues, income from operations, and loss from continuing operations, net of income taxes for all periods presented in the table above exclude the results of the Harrah's St. Louis casino which was sold in November 2012, the results of Alea Leeds casino which was closed in March 2013 and the results of the subsidiaries that hold our land concession in Macau, all of which are presented as discontinued operations.

See footnotes following the Managed, International, and Other results discussion later in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

### Quarter ended June 30, 2013 compared to June 30, 2012

#### Net Revenues

Net revenues were relatively flat in the second quarter 2013 compared to the second quarter 2012. The decline in casino revenues of \$116.8 million, or 7.5%, was largely offset by increases in non-gaming revenues, coupled with lower promotional allowances. The decline in casino revenues was driven by lower overall visitation to our properties resulting from increased competition in Atlantic City and our other U.S. regional markets outside of Las Vegas and an elimination of marketing activities identified as less profitable. Additionally, in Las Vegas on a comparative basis, we experienced lower hold percentages (the portion of aggregate players' wagers that are retained by the casino as win ("hold")), partially offset by higher hold percentages in Atlantic City and other regional markets, which also contributed to lower casino revenues.

Consistent with the first quarter of 2013, net revenues in the second quarter dropped most significantly in Atlantic City due to continued competitive pressure in the region. Net revenues in Las Vegas continued to be negatively impacted by the construction activities related to the LINQ project, the ongoing renovation of The Quad Resort & Casino (the "Quad") and the closure of Bill's Gamblin' Hall & Saloon ("Bill's") in February 2013 for renovation. The renovated hotel and casino are expected to re-open as the Gansevoort Las Vegas in early 2014 and the dayclub/nightclub is expected to open in the first half of 2014.

On a consolidated basis, cash average daily room rates increased from \$95 in the second quarter 2012 to \$103 in 2013 as higher rates attributable to resort fees in Las Vegas and other properties in Nevada more than offset the lower rates in Atlantic City. Total occupancy percentage decreased 1.7 percentage points to 91% in the second quarter 2013 from 2012 due mainly to the disruption caused by construction activities related to the renovation of the Quad in Las Vegas.

Net revenues for our Managed properties increased \$71.2 million for the second quarter 2013 when compared to the second quarter 2012 due to new managed projects, including Horseshoe Cleveland (opened in May 2012), Horseshoe Cincinnati (opened in March 2013), ThistleDown Racino ("ThistleDown") (commenced video lottery terminal operations in April 2013) and the management company for Caesars Windsor, which we are now consolidating since increasing our ownership from 50% to 100% in June 2012. A large portion of these revenues represent reimbursable payroll expenses, which are presented on a gross basis as revenue and expense, thus resulting in no income from operations.



### *Income from Operations*

Second quarter 2013 income from operations decreased \$63.8 million, or 33.7%, compared to the second quarter 2012. This was primarily due to non-cash intangible and tangible asset impairment charges of \$104.7 million in the second quarter 2013 compared to non-cash intangible asset impairment charges of \$33.0 million in the second quarter 2012. Aside from the change in impairment charges, income from operations increased \$7.9 million due mainly to the second quarter benefit from decreases in certain costs when compared to the prior year quarter. The decrease in expenses included a \$34.2 million decrease in depreciation and amortization expense due to increasing numbers of assets becoming fully depreciated in 2013, a \$17.5 million reversal of a sales tax reserve related to the Nevada complimentary meals sales tax matter, which we settled during the quarter, and decreases in expenses resulting from our cost savings initiatives. These expense reductions were partially offset by the income impact of the decline in net revenues discussed above and higher remediation costs.

### *Net Loss and EBITDA measures*

Net loss attributable to Caesars decreased \$29.5 million, or 12.2%, in the second quarter 2013 from 2012. The decrease was due to a variety of factors, including an \$80.2 million favorable change in the loss from discontinued operations, net of income taxes, an increase in gain on early extinguishments of debt, an increase in the benefit for income taxes and a gain of \$44.1 million related to the sale of 45% of Baluma S.A., which owns and operates the Conrad Punta Del Este Resort and Casino in Uruguay (the "Conrad") to Enjoy S.A. for total consideration of \$139.5 million. These favorable changes were partially offset by a decrease in income from operations as described above, combined with a \$43.6 million increase in interest expense, net of interest capitalized. These factors are further described in "Other Factors Affecting Net Loss" that follows herein.

The declines in the second quarter 2013 Property EBITDA from 2012 are primarily driven by the factors described above, including reductions as a result of the sale of Harrah's St. Louis in November 2012. Further details on this non-GAAP financial measure follows herein.

### *Six months ended June 30, 2013 compared to June 30, 2012*

#### *Net Revenues*

Net revenues decreased \$68.6 million in the six months ended June 30, 2013 compared to the prior year due mainly to a \$246.7 million decrease in casino revenues, largely offset by increases in non-gaming revenues, coupled with lower promotional allowances. The decline in casino revenues was primarily due to lower gaming hold as compared to prior year and declines in overall visitation primarily related to continued competitive pressure and the slow recovery from Hurricane Sandy which impacted Atlantic City in the first quarter 2013. Net revenues in Las Vegas were impacted by the continuing construction activity for the LINQ project, the ongoing renovation of the Quad, and the closure of Bill's in February 2013 for renovation, as well as lower hold. Net revenues attributable to Caesars Interactive Entertainment, Inc. ("CIE") increased from the prior year due partially to the late-2012 acquisition of substantially all of the assets of Buffalo, creator of Bingo Blitz, and continued strength in the social and mobile games business.

On a consolidated basis, cash average daily room rates for the six months ended June 30, 2013 increased 3.2 percent from \$94 in 2012 to \$97 in 2013 primarily as a result of the March 2013 implementation of resort fees at our Nevada properties. Total occupancy percentage decreased 1.9 percentage points in the six months ended June 30, 2013 from 2012 due to declines in the U.S. regions but most significantly in Atlantic City.

Net revenues for our Managed properties increased \$132.0 million from the prior year due mainly to new managed projects, including Horseshoe Cleveland (opened in May 2012), Horseshoe Cincinnati (opened in March 2013), ThistleDown (commenced video lottery terminal operations in April 2013) and the management company for Caesars Windsor, which we are now consolidating since increasing our ownership from 50% to 100% in June 2012. A large portion of these revenues represent reimbursable payroll expenses, which are presented on a gross basis as revenue and expense, thus resulting in no income from operations.

### *Income from Operations*

Income from operations for the six months ended June 30, 2013 increased \$16.6 million, or 6.6%, compared to the prior year. The increase was primarily due to a reduction in intangible and tangible asset impairment charges which totaled \$124.7 million in the six months ended June 30, 2013 compared to \$207.0 million in the six months ended June 30, 2012, as well as a \$52.0 million decrease in depreciation expense resulting from assets that became fully depreciated early in the first quarter 2013, decreases in direct expenses related to cost savings initiatives and a \$17.5 million reversal of a sales tax reserve related to the Nevada complimentary meals sales tax matter, which we settled during the second quarter 2013. The decrease in expense was partially offset by a \$48.9 million charge for a contingent earnout liability in 2013 related to CIE's acquisition of Buffalo's assets and the income impact of the decrease in net revenues as discussed above.

## Net Loss and EBITDA measures

Net loss attributable to Caesars decreased \$92.2 million, or 17.7%, in the six months ended June 30, 2013 from 2012. The decrease was due mainly to the \$16.6 million increase in income from operations described above, a \$31.8 million favorable change in the loss from discontinued operations, net of income taxes, a gain of \$44.1 million related to the sale of 45% of Baluma S.A., which owns and operates the Conrad, and a \$141.8 million increase in the benefit for income taxes. Partially offsetting the impact of the above factors was a \$56.3 million increase in interest expense, net of interest capitalized, and a \$74.9 million unfavorable change in gains on early extinguishments of debt. These factors are further described in "Other Factors Affecting Net Loss" that follows herein.

The decline in Property EBITDA from 2012 is primarily driven by the factors described above. Further details on this non-GAAP financial measure follow herein.

## Regional Operating Results

### Las Vegas

(Dollars in millions)	Quarter Ended June 30,		Percent Favorable/ (Unfavorable)	Six Months Ended June 30,		Percent Favorable/ (Unfavorable)
	2013	2012		2013	2012	
Casino revenues	\$ 344.2	\$ 407.3	(15.5)%	\$ 737.7	\$ 824.4	(10.5)%
Net revenues	745.9	780.7	(4.5)%	1,497.5	1,552.3	(3.5)%
Income from operations	125.8	127.8	(1.6)%	230.1	247.9	(7.2)%
Operating Margin <sup>(1)</sup>	16.9%	16.4%	0.5 pts	15.4%	16.0%	(0.6) pts
Property EBITDA <sup>(2)</sup>	210.6	214.4	(1.8)%	408.5	425.7	(4.0)%

### Quarter ended June 30, 2013 compared to June 30, 2012

Net revenues decreased \$34.8 million, or 4.5%, in the second quarter 2013 compared to the prior year quarter, driven by declines in casino revenues, partially offset by increases in rooms and food and beverage revenues. Construction activities associated with the LINQ project and activities associated with the renovation of the Quad and the renovation-related closure of Bill's have also unfavorably impacted the net revenues in the region. We estimate that the LINQ project negatively impacted second quarter 2013 net revenues in Las Vegas by approximately \$6 million to \$9 million and reduced income from operations and Property EBITDA by approximately \$4 million to \$7 million.

Casino revenues were down \$63.1 million, or 15.5%, in the second quarter 2013 compared to the prior year quarter due to weaker gaming volumes, a decline in hold percentage as well as the negative impact of the LINQ project mentioned above, while visitation remained flat.

However, food and beverage revenues increased \$18.1 million, or 8.9%, in the second quarter 2013 compared to the prior year quarter due to the addition of several new restaurant offerings such as Bacchanal Buffet and Nobu at Caesars Palace and Gordon Ramsay-branded restaurants at Caesars Palace, Paris, and Planet Hollywood.

Hotel revenues increased \$12.8 million, or 6.3%, in the second quarter 2013 compared to the prior year, as the implementation of resort fees in March 2013, partially offset by a change in the mix of group business, led to an increase in cash average daily room rates from \$97 in 2012 to \$107 in 2013. However, the region's occupancy percentage declined 1.3 percentage points to 95% in 2013, primarily due to the disruption caused by construction activities related to the renovation of the Quad.

Overall, property operating expenses in the region declined \$31.1 million in the second quarter 2013 compared to the prior year quarter largely due to a reversal of a sales tax reserve of \$17.5 million as discussed above, of which \$14.1 million related to the Las Vegas properties, as well as decreases in expenses attributable to our cost-savings initiatives, partially offset by an increase in variable costs associated with higher food and beverage revenues. Depreciation expense in the region decreased as a result of assets becoming fully depreciated, while write-downs, reserves, and project opening costs, net of recoveries increased as a result of additional remediation costs in 2013 when compared to 2012.

The overall reduction in property operating expenses largely offset lower net revenues resulting in a slight decline in Property EBITDA of \$3.8 million, or 1.8%, in the second quarter 2013 compared to the prior year quarter.

Six months ended June 30, 2013 compared to June 30, 2012

Net revenues decreased \$54.8 million, or 3.5%, in the six months ended June 30, 2013 compared from 2012 due mainly to casino revenue declines combined with the negative impact of the construction activities associated with the LINQ project and activities associated with the renovations of the Quad and Bill's. These declines were partially offset by an increase in food and beverage revenues. We estimate that these development and construction activities reduced net revenues in Las Vegas for the six months ended June 30, 2013 by approximately \$16 million to \$22 million and reduced income from operations and Property EBITDA by approximately \$10 million to \$15 million.

Casino revenues were down \$86.7 million, or 10.5%, compared to the prior year due to weaker gaming volumes, a decline in hold percentage, lower traffic and the negative impact of the LINQ project mentioned above.

Food and beverage revenues increased \$34.3 million, or 8.6%, due to the addition of several new restaurant offerings such as Bacchanal Buffet and Nobu at Caesars Palace and Gordon Ramsay-branded restaurants at Caesars Palace, Paris, and Planet Hollywood.

Hotel revenues increased \$4.2 million, or 1.0%, as the implementation of resort fees in March 2013 led to an increase in cash average daily room rates from \$96 in 2012 to \$100 in 2013, partially offset by a change in the mix of group business. However, the region's occupancy percentage declined 1.1 percentage points to 94% in 2013, primarily due to the disruption caused by construction related activities discussed above and a shift in the group mix.

Overall, property operating expenses in the region declined as a result of decreases in costs attributable to our cost savings initiatives, a decline in variable costs related to lower traffic and the reversal of a sales tax reserve of \$14.1 million as discussed above. Depreciation expense decreased as a result of assets becoming fully depreciated early in the first quarter, which was partially offset by increases in costs associated with higher food and beverage revenue and higher remediation costs when compared to 2012.

Property EBITDA declined \$17.2 million, or 4.0%, due mainly to the income impact of lower net revenues, partially offset by the decrease in property operating expenses.

*Development Projects*

During 2012, we secured \$185.0 million in financing to fund the complete renovation of Bill's into a boutique lifestyle hotel that includes a dayclub/nightclub. The renovation 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. We 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. Bill's closed in early February 2013 to accommodate these renovations. The renovated hotel and casino are expected to re-open as the Gansevoort Las Vegas in early 2014 and the dayclub/nightclub is expected to open in the first half of 2014. Through June 30, 2013, \$16.1 million had been spent on this project, of which \$13.1 million was spent in 2013.

During 2011, we commenced construction on the LINQ, a dining, entertainment, and retail development located between the Flamingo casino and the Quad, on the east side of the Las Vegas Strip. The LINQ is scheduled to open at the end of 2013 and includes the construction of a 550-foot observation wheel, the High Roller, which is expected to open in the second quarter of 2014. Through June 30, 2013, \$389.2 million had been spent on this project, of which \$148.6 million was spent in 2013.

*Atlantic City*

(Dollars in millions)	Quarter Ended June 30,		Percent Favorable/ (Unfavorable)	Six Months Ended June 30,		Percent Favorable/ (Unfavorable)
	2013	2012		2013	2012	
Casino revenues	\$ 334.3	\$ 366.1	(8.7)%	\$ 644.9	\$ 738.5	(12.7)%
Net revenues	400.1	436.5	(8.3)%	765.4	868.9	(11.9)%
Income/(loss) from operations	1.9	16.3	(88.3)%	(1.3)	35.1	(103.7)%
Operating Margin <sup>(1)</sup>	0.5%	3.7%	(3.2) pts	(0.2)%	4.0%	(4.2) pts
Property EBITDA <sup>(2)</sup>	63.1	67.1	(5.9)%	114.3	137.1	(16.6)%

*Quarter ended June 30, 2013 compared to June 30, 2012*

Atlantic City continues to be affected by the continuing competitive environment which has caused a significant decline in visitation to the region's properties as compared to 2012. This traffic decline has contributed in overall revenue declines, partially offset by lower promotional allowances and improved gaming hold. Net revenues declined \$36.4 million, or 8.3%, in the second quarter 2013 compared to the prior year quarter, an improvement compared to our first quarter 2013 results in the region, which were largely affected by sharp visitation declines in the wake of Hurricane Sandy.

Operating expenses in the second quarter 2013 were lower than in 2012 as a result of a continued focus on controlling costs to align the cost structure with lower revenue levels, including more efficient marketing spending and other cost-savings initiatives, and lower depreciation expense. These reductions in operating expenses were partially offset by non-cash tangible asset impairment charges of \$22.4 million primarily related to our investment in a real estate project owned by the Company, related to investments of the Casino Reinvestment Development Authority ("CRDA"), a New Jersey state governmental agency responsible for directing the spending of casino reinvestment funds for the benefit of Atlantic City.

Property operating expense reductions attributable to our focus on controlling costs to align the cost structure with lower revenue levels nearly offset revenue declines, resulting in a decrease in Property EBITDA of \$4.0 million, or 5.9%, in the second quarter 2013 compared to the prior year quarter.

*Six months ended June 30, 2013 compared to June 30, 2012*

In the six months ended June 30, 2013, Atlantic City continues to be affected by the continuing competitive pressure, the slow recovery from the effects of Hurricane Sandy and economic weakness in the region which has caused a significant decline in visitation to the region's properties, notably in the first quarter, as compared to 2012. As a result, net revenues in the region declined \$103.5 million, or 11.9%, compared to the prior year.

However, property operating expenses in six months ended June 30, 2013 were also lower than in the prior year as a result of significant decreases in costs attributable to our cost savings initiatives and more efficient marketing spending, partially offset by an increase in write-downs, reserves and project opening costs, net of recoveries and by the second quarter non-cash tangible asset impairment charges mentioned above, with no comparable amounts in the prior year.

Property EBITDA declined \$22.8 million, or 16.6% due mainly to the income impact of lower net revenues, partially offset by the decrease in property operating expenses.

We expect that the region will continue to be challenged as a result of the competitive pressures in the region. In response, we will continue to focus on controlling costs to align the cost structure with lower revenue levels.

Other U.S.

<b>(Dollars in millions)</b>	<b>Quarter Ended June 30,</b>		<b>Percent Favorable/ (Unfavorable)</b>	<b>Six Months Ended June 30,</b>		<b>Percent Favorable/ (Unfavorable)</b>
	<b>2013</b>	<b>2012</b>		<b>2013</b>	<b>2012</b>	
Casino Revenues	\$ 674.4	\$ 686.2	(1.7)%	\$ 1,355.1	\$ 1,407.1	(3.7)%
Net revenues	748.1	756.6	(1.1)%	1,497.3	1,552.5	(3.6)%
Income from operations	44.3	111.7	(60.3)%	145.8	62.5	133.3 %
Operating Margin <sup>(1)</sup>	5.9%	14.8%	(8.9) pts	9.7%	4.0%	5.7 pts
Property EBITDA <sup>(2)</sup>	182.3	177.6	2.6 %	360.6	364.3	(1.0)%

*Quarter ended June 30, 2013 compared to June 30, 2012*

Net revenue declines were attributable to lower visitation to the properties driven by competition within the regional markets and an elimination of marketing activities identified as less profitable, partially offset by improved hold. Income from operations decreased \$67.4 million, or 60.3%, primarily due to a \$79.3 million non-cash impairment charge related to land holdings in Mississippi, with no comparable impairment charges in the prior year quarter. A continued focus on controlling costs, coupled with a \$9.4 million decrease in depreciation expense and a \$3.4 million reversal of a sales tax reserve related to the Nevada complimentary meals sales tax matter, partially offset the impact of the above impairment charges. Property EBITDA rose \$4.7 million, or 2.6%, in the second quarter 2013 compared to the prior year quarter primarily due to decreases in property operating expenses as a result of our cost savings programs, partially offset by the income impact of lower net revenues.

Six months ended June 30, 2013 compared to June 30, 2012

Casino revenues declined during the six months ended June 30, 2013 as compared to the prior year due to lower visitation to the properties driven by competition within the regional markets and an elimination of marketing activities identified as less profitable. As a result, net revenues in the six months ended June 30, 2013 decreased \$55.2 million, or 3.6%, from 2012.

Property operating expenses in the six months ended June 30, 2013 were lower than in 2012 as a result of more focused marketing spend and cost decreases attributable to our cost savings initiatives. In addition, we recorded \$167.5 million of non-cash tangible asset impairment charges in the six months ended June 30, 2012 compared to \$79.3 million in 2013. As a result, income from operations in the six months ended 2013 increased \$83.3 million or 133.3%.

Lower net revenues were almost entirely offset by lower property operating expenses, resulted in a \$3.7 million or 1.0% decline in Property EBITDA.

Managed, International, and Other

Managed properties include companies that operate three Indian-owned casinos, as well as Horseshoe Cleveland, Horseshoe Cincinnati (which opened in March 2013) and Caesars Windsor, and the results of Thistledown Racetrack through August 2012 when the racetrack was contributed to Rock Ohio Caesars, LLC, a joint venture in which Caesars holds a 20% ownership interest. Upon commencement of video lottery terminal operations in April 2013, the Managed region includes the results of the subsidiary that manages ThistleDown. International properties include the results of Caesars' international operations. On May 31, 2013, we sold 45% of our equity interest in the Conrad and, as a result of this transaction, no longer consolidate this International property's results, but instead account for it as an equity method investment. The table below includes the consolidated results of the Conrad through May 31, 2013 and the equity method income or loss in (loss)/income from operations beginning June 1, 2013. Other 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 our social and mobile games businesses.

In the fourth quarter 2012, we began discussions with interested parties with respect to a sale of the subsidiaries that holds our land concession in Macau. As a result of this plan of disposal, those assets and liabilities have been classified as held for sale at June 30, 2013 and December 31, 2012 and their operating results have been classified as discontinued operations for all periods presented and are excluded from the table below.

On March 4, 2013, we closed the Alea Leeds casino in England and its operating results have been classified as discontinued operations for all periods presented and are excluded from the table below.

(Dollars in millions)	Quarter Ended June 30,		Percent Favorable/ (Unfavorable)	Six Months Ended June 30,		Percent Favorable/ (Unfavorable)
	2013	2012		2013	2012	
<b>Net revenues</b>						
Managed	\$ 85.2	\$ 14.0	508.6 %	\$ 157.0	\$ 25.0	528.0 %
International	92.5	100.3	(7.8)%	216.6	230.7	(6.1)%
Other	86.4	75.7	14.2 %	167.4	140.4	19.2 %
Total net revenues	<u>\$ 264.1</u>	<u>\$ 190.0</u>	39.0 %	<u>\$ 541.0</u>	<u>\$ 396.1</u>	36.6 %
<b>(Loss)/income from operations</b>						
Managed	\$ 7.7	\$ 3.0	156.7 %	\$ 12.4	\$ 5.0	148.0 %
International	0.8	5.2	(84.6)%	22.5	26.9	(16.4)%
Other	(55.2)	(74.9)	26.3 %	(142.5)	(127.0)	(12.2)%
Total loss from operations	<u>\$ (46.7)</u>	<u>\$ (66.7)</u>	30.0 %	<u>\$ (107.6)</u>	<u>\$ (95.1)</u>	(13.1)%
<b>Operating Margin <sup>(1)</sup></b>						
Managed	9.0%	21.4%	(12.4) pts	7.9%	20.0%	(12.1) pts
International	0.9%	5.2%	(4.3) pts	10.4%	11.7%	(1.3) pts

## *Managed*

Net revenues for our Managed properties increased \$71.2 million in the second quarter 2013 compared to the prior year quarter, primarily due to new managed projects, including Horseshoe Cleveland (opened in May 2012), Horseshoe Cincinnati (opened in March 2013), ThistleDown (commenced video lottery terminal operations in April 2013) and the management company for Caesars Windsor, the results of which have been consolidated into our financial statements since June 2012 when we increased our 50% ownership to 100%. A large portion of these revenues represent reimbursable payroll expenses, which are presented on a gross basis as revenue and expense, thus resulting in no income from operations.

Net revenues for our Managed properties in the six months ended June 30, 2013 increased \$132.0 million from the prior year, primarily due to new managed projects as mentioned above. A large portion of these revenues represent reimbursable payroll expenses that are presented on a gross revenue basis, resulting in an increase in revenues and an equally offsetting increase in operating expenses.

## *International*

During the second quarter 2013, we sold 45% of Baluma S.A., a subsidiary that owns and operates the Conrad, to Enjoy S.A. In connection with the transaction, Enjoy S.A. assumed control of the Baluma S.A. board and primary responsibility for management of the Conrad. Upon completion of the transaction, we deconsolidated Baluma S.A. from our financial statements and began accounting for Baluma S.A. as an investment in non-consolidated affiliates utilizing the equity method of accounting. This resulted in a decrease in net revenues in the second quarter 2013 compared to 2012. The decline in net revenues from the sale of the Conrad was slightly offset by an increase in net revenues at the London Clubs, despite declines in visitation. Income from operations declined primarily as a result of the Conrad transaction, while net revenue increases at the London Clubs were mostly offset by increases in variable costs at those properties.

Visitation to the London Clubs properties declined in the six months ended June 30, 2013 compared to the prior year due to competitive pressures which largely resulted in revenue declines for these casinos, combined with a decline in revenues from the partial sale of the Conrad as described above. Property operating expenses in 2013 were lower than in 2012 as a result of decreases in costs attributable to our cost savings initiatives. As a result of the above, income from operations decreased \$4.4 million, or 16.4%.

## *Other*

Net revenues increased during the second quarter for the company's social and mobile games business, mostly related to CIE's December 2012 acquisition of substantially all of the assets of Buffalo Studios, LLC ("Buffalo"). This acquisition also increased our second quarter expenses, but resulted in an overall decrease to loss from operations. Loss from operations decreased \$19.7 million, or 26.3%, resulting from the net impact of the Buffalo acquisition and from \$33.0 million of non-cash intangible asset impairment charges in the second quarter 2012 that did not recur in 2013.

This acquisition of Buffalo, combined with the continued strength in CIE's social and mobile games business drove most of the \$27.0 million, or 19.2%, increase in net revenues in the six months ended June 30, 2013 from 2012. Loss from operations increased \$15.5 million, or 12.2% in the six months ended June 30, 2013 compared to the prior year due mainly to increases in property operating expenses of \$30.7 million combined with a charge of \$48.9 million for contingent earnout liability in the six months ended June 30, 2013 relating to the acquisition of the Buffalo assets, offset by a reduction in tangible and intangible asset impairment charges that totaled \$39.5 million in the six months ended June 30, 2012 with no comparable charges in 2013. Corporate expenses were down \$16.2 million primarily due to a decrease in stock-based compensation expense.

(1) Operating margin is calculated as income/(loss) from operations divided by net revenues.

(2) See the Reconciliation of Non-GAAP Financial Measures discussion later in this Management's Discussion and Analysis of Financial Condition and Results of Operations for a reconciliation of net loss attributable to Caesars to Property EBITDA.

## Other Factors Affecting Net Loss

<u>Expense/(income)</u> (Dollars in millions)	<u>Quarter Ended June 30,</u>		<u>Percent Favorable/ (Unfavorable)</u>	<u>Six Months Ended June 30,</u>		<u>Percent Favorable/ (Unfavorable)</u>
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>	
Interest expense, net of interest capitalized	\$ 540.1	\$ 496.5	(8.8)%	\$ 1,114.8	\$ 1,058.5	(5.3)%
Gain on early extinguishments of debt	(41.3)	(33.7)	22.6 %	(4.6)	(79.5)	(94.2)%
Benefit for income taxes	(115.7)	(105.9)	9.3 %	(406.0)	(264.2)	53.7 %
Gain on partial sale of subsidiary	(44.1)	—	*	(44.1)	—	*
Loss from discontinued operations, net of income taxes	0.3	80.5	99.6 %	41.4	73.2	43.4 %

\* Not meaningful

### Interest Expense, Net of Interest Capitalized

Interest expense, net of interest capitalized, increased by \$43.6 million, or 8.8%, in the second quarter 2013, due primarily to higher interest rates as a result of the amendment and extension of the maturities of CEOC's debt combined with higher debt balances, compared to the year-ago quarter, partially offset by higher mark-to-market gains on derivatives in 2013.

Interest expense, net of interest capitalized in the six months ended June 30, 2013 increased \$56.3 million from 2012 due primarily to higher interest rates as a result of extending the maturities of our debt combined with higher debt balances compared to the year-ago period, partially offset by mark-to-market gains on derivatives in 2013 compared to losses in 2012. Interest expense for six months ended June 30, 2013 included (i) \$66.5 million of gains due to changes in fair value for derivatives not designated as hedging instruments and (ii) \$3.9 million of expense due to amortization and reclassification of deferred losses on derivative instruments frozen in Accumulated Other Comprehensive Loss ("AOCL"). Interest expense for six months ended June 30, 2012 included (i) \$17.1 million of losses due to changes in fair value for derivatives not designated as hedging instruments and (ii) \$14.3 million of expense due to amortization and reclassification of deferred losses on derivative instruments frozen in AOCL.

### Gain on Early Extinguishments of Debt

During the second quarter 2013 we recognized \$41.3 million in gains on early extinguishments of debt, net of deferred finance charges. The gains were primarily related to the purchase of \$225.0 million of aggregate face value CMBS debt for \$183.7 million, resulting in a gain of \$39.0 million, net of deferred finance charges and the open market repurchases of approximately \$51.2 million face value of outstanding debt of CEOC for \$40.9 million, resulting in a gain of \$2.4 million, net of discounts. During the second quarter 2012 we recognized \$33.7 million in gains on early extinguishments of debt, net of deferred finance charges, primarily related to the purchase of \$83.7 million of aggregate face value CMBS debt for \$50.2 million.

During the six months ended June 30, 2013, we recognized a net gain on early extinguishments of debt of \$4.6 million, net of deferred finance charges, due to the CEOC and CMBS debt repurchases, described above, offset by a loss on early extinguishments of debt of \$36.8 million primarily related to extinguishments of debt under the CEOC Credit Facilities in the first quarter of 2013. During the six months ended June 30, 2012 we recognized a gain on early extinguishments of debt of \$79.5 million, net of deferred finance charges, due primarily to the purchase of \$202.4 million face value of CMBS debt for \$122.0 million.

### Gain on partial sale of subsidiary

In connection with the sale of 45% of Baluma S.A. to Enjoy, we recognized a gain of \$44.1 million. There was no comparable amount in the prior year.

### Benefit for Income Taxes

The effective tax rate for the quarter ended June 30, 2013 and 2012 was 35.6% and 39.6%, respectively. The effective rate benefit in the second quarter of 2013 was lower than 2012 primarily due to lower tax benefits from foreign operations.

The effective tax rate for the six months ended June 30, 2013 and 2012 was 51.3% and 37.0%, respectively. The effective rate benefit was higher for the first six months of 2013 primarily due to (i) a discrete tax benefit from a capital loss resulting from a tax election made for U.S. federal income tax purposes during the quarter of 2013 which was retroactive to December 2012, (ii) retroactive U.S. tax law changes which were enacted in January 2013 and (iii) a favorable tax ruling in Israel received in February 2013.

### Loss from Discontinued Operations, Net of Income Taxes

Loss from discontinued operations, net of income taxes improved significantly compared to the second quarter 2012, which included a \$101.0 million non-cash impairment charge related to the Macau land concession and \$14.1 million of income related to the Harrah's St. Louis casino with no comparable amounts recorded in the second quarter 2013.

Loss from discontinued operations, net of income taxes in the six months ended June 30, 2013 was \$41.4 million and included an adjustment to fair value that reduced the book value of our land concession in Macau by \$21.0 million, and charges totaling \$21.5 million for exit activities and the write-down of tangible and intangible assets related to the March 4, 2013 closure of the Alea Leeds casino. Loss from discontinued operations, net of income taxes in the six months ended June 30, 2012 was \$73.2 million and included \$25.7 million of income from operations related to the Harrah's St. Louis casino which was sold on November 2, 2012, \$96.4 million of loss from operations related to the land concessions in Macau, primarily comprised of a \$101.0 million non-cash tangible asset impairment charge and \$2.5 million of loss from operations related to the Alea Leeds casino.

### **Liquidity and Capital Resources**

#### Cost Savings Initiatives

Caesars Entertainment has undertaken comprehensive cost-reduction efforts to rightsize expenses with business levels. We estimate that our cost-savings programs produced \$66.9 million and \$133.3 million in incremental cost savings for the second quarter and six months ended June 30, 2013, respectively, when compared to the same periods in 2012. Additionally, as of June 30, 2013, we expect that these and additional new cost-savings programs will produce additional annual cost savings of \$148.4 million, based on the full implementation of current projects that are in process. As we realize savings or identify new cost-reduction activities, this amount will 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, as well as online businesses that meet our strategic and return on investment criteria. 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 the Harrah's St. Louis casino, we have been using and will continue 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 term loans under the Credit Facilities.

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 six months ended June 30, 2013 totaled \$320.3 million, net of a decrease of \$2.6 million of related payables. Estimated total capital expenditures for 2013, including 2013 expenditures associated with the LINQ project, the Bill's renovation, and other developments, are expected to be between \$1,000.0 million and \$1,100.0 million, which includes approximately \$300 million of 2013 project financing associated with the LINQ project, the Bill's renovation, and other developments for which we expect to obtain financing. Financing for the Horseshoe Baltimore project in Maryland was obtained and the development broke ground in July 2013 as further described in Note 21, "Subsequent Events" to our consolidated financial statements appearing in Item 1 of this report.



The following table summarizes our development, renovation/refurbishment, and other capital expenditures for the six months ended June 30, 2013 and 2012:

<u>(Dollars in millions)</u>	<u>Six Months Ended June 30,</u>		<u>Increase/ (Decrease)</u>
	<u>2013</u>	<u>2012</u>	
Development	\$ 126.0	\$ 83.2	\$ 42.8
Renovation/refurbishment	167.2	91.9	75.3
Other	27.1	16.9	10.2
Total capital expenditures	<u>\$ 320.3</u>	<u>\$ 192.0</u>	<u>\$ 128.3</u>

Our capital expenditures included capitalized payroll costs of \$4.7 million and \$3.5 million, for the six months ended June 30, 2013 and 2012.

Capital expenditures increased \$128.3 million in the six months ended June 30, 2013 when compared to the prior year period, due primarily to development expenditures associated with the LINQ project, and the accelerated pace of our renovation and refurbishment projects at various properties.

#### Liquidity and Capital Resources

Our cash and cash equivalents, excluding restricted cash, totaled \$1,810.7 million at June 30, 2013 compared to \$1,757.5 million at December 31, 2012. Restricted cash totaled \$334.4 million at June 30, 2013, consisting 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. Our operating cash inflows are typically used for operating expenses, debt service costs and working capital needs.

Our cash flows from operating, investing, and financing activities for the six months ended June 30, 2013 and 2012 associated with the Harrah's St. Louis casino, the Alea Leeds casino, and the subsidiaries that hold our land concession in Macau, which are defined as discontinued operations, are included in our Consolidated Condensed Statements of Cash Flows as cash flows from discontinued operations. We sold the Harrah's St. Louis casino on November 2, 2012, and the net proceeds generated from the sale are being used and will continue to be used to fund CEOC capital expenditures. Proceeds not used for capital expenditures are required to be used to purchase term loans under the Credit Facilities.

We are a highly leveraged company and a significant amount of our liquidity needs are for debt service. As of June 30, 2013, we had \$23,662.0 million face value of indebtedness outstanding, including capital lease indebtedness. Cash paid for interest for the six months ended June 30, 2013 was \$947.1 million. Payments of short-term debt obligations and payments of other commitments are expected to be made from operating cash flows and from borrowings under our established debt programs. Long-term obligations are expected to be paid through 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 June 30, 2013, our additional borrowing capacity under the credit facility was \$95.6 million. 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. Through June 30, 2013, the Company issued 915,493 shares with aggregate offering proceeds of \$12.8 million.

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.

From time to time, depending upon market, pricing, and other conditions, as well as on our cash balances and liquidity, we may seek to acquire notes or other indebtedness of the Company through open market purchases, privately negotiated transactions, tender offers, redemption or otherwise, upon such terms and at such prices as we may determine (or as may be provided for in the indentures governing the notes), for cash or other consideration. In addition, we have considered and will continue to evaluate potential transactions to reduce net debt, such as debt for debt exchanges and other transactions. There can be no assurance as to which, if any, of these alternatives or combinations thereof we may choose to pursue in the future as the pursuit of any alternative will depend upon numerous factors such as market conditions, our financial performance, and the limitations applicable to such transactions under our financing documents.

Please refer to Note 8, "Debt," to our consolidated financial statements appearing in Item 1 of this report for details on our debt outstanding. This detail includes, among other things, a table presenting details on our individual borrowings outstanding as of June 30, 2013 and December 31, 2012, changes in our debt outstanding, and certain changes in the terms of existing debt for the six months ended June 30, 2013. Note 8, "Debt," to our consolidated financial statements appearing in Item 1 of this report also includes details on restrictive covenants related to certain of our borrowings. Note 9, "Derivative Instruments," to our consolidated financial statements appearing in Item 1 of this report discusses the use of interest rate swap and interest rate cap derivatives to manage the mix of our debt between fixed and variable rate instruments.

#### Macau Land Concession

On August 6, 2013, we, along with certain of our wholly-owned subsidiaries, entered into a share purchase agreement with Pearl Dynasty Investments Limited ("Pearl Dynasty"), pursuant to which the Company is selling to Pearl Dynasty its subsidiaries that hold its land concession in Macau for a purchase price of \$438.0 million subject to customary closing conditions. The Company expects to use the net proceeds from the sale, which are expected to be approximately \$420.0 million, to fund CEOC capital expenditures or to repurchase certain outstanding debt obligations of CEOC. See Note 21, "Subsequent Events," to our consolidated financial statements appearing in Item 1 of this report for further discussion.

#### Caesars Growth Partners

The Company recently announced the transaction with respect to Caesars Growth Partners as further described in Note 4, "Proposed Strategic Transaction."

#### CEOC Credit Facilities

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 direct, wholly-owned subsidiaries, including certain subsidiaries that own properties that secure \$4,439.1 million face value, as of June 30, 2013, of the CMBS debt. Information pertaining solely to the consolidated financial position and results of CEOC and its subsidiaries can be found in Exhibit 99.1 to this Form 10-Q.

In January and February 2013, CEOC converted \$133.9 million aggregate principal amount of original maturity revolver commitments held by consenting lenders to Term B-6 Loans and terminated \$133.9 million principal amount of revolving commitments of extending lenders.

In connection with the February 2013 notes offering described in the CEOC Bond Offerings section below, CEOC received the requisite lenders' consent and entered into a bank amendment to its Credit Facilities to, among other things: (i) use the net cash proceeds of the February 2013 notes offering to repay a portion of CEOC's existing term loans as described in the CEOC Bond Offerings section below; (ii) obtain up to \$75.0 million of extended revolving facility commitments with a maturity of January 28, 2017, which received all required regulatory approvals in April 2013, (iii) increase the accordion capacity under the Credit Facilities by an additional \$650.0 million (which may be used to, among other things, establish extended revolving facility commitments under the Credit Facilities); (iv) modify the calculation of the senior secured leverage ratio for purposes of the maintenance test under the Credit Facilities to exclude the notes issued in February 2013; and (v) modify certain other provisions of the Credit Facilities.

As of June 30, 2013, our Credit Facilities provide for senior secured financing of up to \$4,633.4 million, consisting of (i) senior secured term loans in an aggregate principal amount of \$4,417.9 million, comprised of \$29.1 million maturing on January 28, 2015, \$965.0 million maturing on October 31, 2016, and \$3,423.8 million maturing on January 28, 2018, and (ii) a senior secured revolving credit facility in an aggregate principal amount of up to \$215.5 million, with \$109.4 million maturing January 28, 2014 and \$106.1 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 currently require scheduled quarterly payments of \$2.5 million, with the balance due at maturity. As of June 30, 2013, \$119.9 million of the revolving credit facility is committed to outstanding letters of credit. After consideration of the letter of credit commitments, \$95.6 million of additional borrowing capacity was available to us under our revolving credit facility as of June 30, 2013.

#### CEOC Notes

##### *Issuances*

In December 2012, CEOC completed the offering of \$750.0 million aggregate principal amount of 9.0% senior secured notes due 2020. On February 20, 2013, when the proceeds were released from escrow, CEOC used \$350.0 million of the proceeds to repay a portion of the existing term loans under the Credit Facilities at par.

In February 2013, CEOC completed the offering of \$1,500.0 million aggregate principal amount of 9.0% senior secured notes due 2020. On March 27, 2013, when the proceeds were released from escrow, CEOC used \$1,433.3 million of the proceeds to repay a portion of the existing term loans under the Credit Facilities at par.

As a result of these repayments, CEOC recognized a loss on early extinguishment of debt of \$29.4 million during the first quarter of 2013.

#### *Open Market Purchases*

During the second quarter 2013, we completed open market purchases of CEOC debt securities as follows:

<u>Debt (dollars in millions)</u>	<u>Maturity</u>	<u>Face Value</u>	<u>Cash Paid</u>
5.375% Unsecured Senior Notes	2013	\$ 26.2	\$ 26.0
10.0% Second-Priority Senior Secured Notes	2018	25.0	14.9

In connection with the above transactions, we recorded a gain on early extinguishments of debt of \$2.4 million, net of discounts. The above securities were repurchased by a non-CEOC subsidiary of Caesars Entertainment and are still outstanding for purposes of CEOC.

In July 2013, we purchased \$10.0 million of aggregate face value of 5.375% Unsecured Senior Notes, and any resulting gain on early extinguishments of debt will be recognized during the third quarter of 2013.

#### CMBS Financing and Open Market Purchases

In February 2013, we paid an extension fee of \$23.3 million and exercised the option to extend the maturity of the CMBS Financing to 2014. The loan contains an additional extension option to extend its maturity from 2014 to 2015, subject to certain conditions. As part of the extension, we entered into a new interest rate cap agreement. The interest rate cap agreement, which is effective from February 13, 2013 and terminates February 13, 2015, is for a notional amount of \$4,664.1 million at a LIBOR cap rate of 4.5%. Any future changes in fair value of the interest rate cap will be recognized in interest expense during the period in which the changes in value occur.

In June 2013, we purchased \$225.0 million of face value of CMBS debt for \$183.7 million, recognizing a pre-tax gain of \$39.0 million, net of deferred finance charges.

#### Horseshoe Baltimore Financing

On July 2, 2013, CBAC Borrower, LLC ("CBAC"), a joint venture among Caesars Baltimore Investment Company, LLC (a wholly-owned indirect subsidiary of CEOC), Rock Gaming Mothership LLC, CVPR Gaming Holdings, LLC, STRON-MD Limited Partnership and PRT Two, LLC, entered into a credit agreement (the "Baltimore Credit Facility") in order to finance the acquisition of land in Baltimore, Maryland and the construction of the Horseshoe Baltimore and a garage (collectively, the "Baltimore Development").

The Baltimore Credit Facility provides for (i) a \$300.0 million senior secured term facility with a seven-year maturity, which is comprised of a \$225.0 million facility that was funded upon the closing of the Baltimore Credit Facility, a \$37.5 million delayed draw facility available from the closing of the Baltimore Credit Facility until the 12-month anniversary of the closing and a \$37.5 million delayed draw facility available until the 18-month anniversary of the closing and (ii) a \$10.0 million senior secured revolving facility with a five-year maturity. The Baltimore Credit Facility is secured by substantially all material assets of CBAC and its wholly-owned domestic subsidiaries.

Concurrently with the closing of the Baltimore Credit Facility, CBAC also entered into a term loan facility that provides for up to \$30.0 million of equipment financing (the "Baltimore FF&E Facility"). Under the Baltimore FF&E Facility, CBAC may use funds from the facility to finance or reimburse the purchase price and certain related costs of furniture, furnishings and equipment to be used in the Baltimore Development.

## 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, or cause an event of default. Specifically, the 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. After giving effect to the February 2013 bank amendment to the Credit Facilities discussed above, this ratio excludes \$3,700.0 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. For purposes of calculating the senior secured leverage ratio, the amount of senior first priority secured debt is reduced by the amount of unrestricted cash on hand. As of June 30, 2013, CEOC's senior secured leverage ratio was 4.33 to 1.0.

In addition, certain covenants contained in CEOC's senior secured credit facilities and indentures covering its first priority senior secured notes and second 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 June 30, 2013, CEOC's total first priority secured leverage ratio and consolidated leverage ratio were 7.29 to 1.0 and 13.60 to 1.0, respectively. For the twelve months ended June 30, 2013, CEOC's LTM Adjusted EBITDA-Pro Forma - CEOC Restricted was insufficient to cover fixed charges by \$600.0 million. For purposes of calculating the fixed charge coverage ratio, fixed charges includes consolidated interest expense less interest income and any cash dividends paid on preferred stock (other than amounts eliminated in consolidation). For purposes of calculating the total first priority secured leverage ratio and the consolidated leverage ratio, the amounts of first priority senior secured debt and consolidated total debt, respectively, are reduced by the amount of unrestricted cash on hand. The covenants that provide for the fixed charge coverage ratio, total first priority secured leverage ratio, and consolidated leverage ratio described in this paragraph are not maintenance covenants.

We are in compliance with CEOC's Credit Facilities and indentures, including the senior secured leverage ratio, as of June 30, 2013. In order to comply with the quarterly senior secured leverage ratio in the future, we will need to achieve a certain amount of LTM 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 we believe 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, the Credit Facilities allow us to apply cash contributions received by CEOC as an increase to LTM Adjusted EBITDA - Pro Forma - CEOC Restricted if CEOC is unable to meet its senior secured leverage ratio. However, there is no guarantee that such contributions will be forthcoming.

Based upon our current operating forecast, as well as our ability to achieve one or more of the factors noted above, we believe that we will continue to be in compliance with the senior secured leverage ratio and meet our cash flow needs during the foreseeable future, including the next twelve months. If we are unable to maintain compliance with the senior secured leverage ratio and if we fail to remedy a default pursuant to the terms of the 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 8, "Debt." At June 30, 2013, our estimated interest payments for the rest of the year ended December 31, 2013 are \$1,001.9 million, for the years ended December 31, 2014 through 2017 are \$2,010.8 million, \$1,670.4 million, \$1,517.0 million, and \$1,257.7 million, respectively, and our estimated interest payments thereafter are \$1,401.4 million.

As of June 30, 2013, there have been no material changes outside of the ordinary course of business to our other known contractual obligations, which are set forth in the table included in Item 7 in our 2012 10-K.

## Reconciliation of Non-GAAP Financial Measures

Property EBITDA is presented as a supplemental measure of the Company's performance. Property EBITDA is defined as revenues less property operating expenses and is comprised of net income/(loss) before (i) interest expense, net of interest capitalized and interest income, (ii) (benefit)/provision for income taxes, (iii) depreciation and amortization, (iv) corporate expenses, and (v) certain items that we do not consider indicative of its ongoing operating performance at an operating property level. In evaluating Property EBITDA you should be aware that, in the future, we may incur expenses that are the same or similar to some of the adjustments in this presentation. The presentation of Property EBITDA should not be construed as an inference that future results will be unaffected by unusual or unexpected items.

Property EBITDA is a non-GAAP financial measure commonly used in our industry and should not be construed as an alternative to net income/(loss) as an indicator of operating performance or as an alternative to cash flow provided by operating activities as a measure of liquidity (as determined in accordance with GAAP). Property EBITDA may not be comparable to similarly titled measures reported by other companies within the industry. Property EBITDA is included because management uses Property EBITDA to measure performance and allocate resources, and believes that Property EBITDA provides investors with additional information consistent with that used by management.

The following table reconciles net loss attributable to Caesars to Property EBITDA for the quarter ended June 30, 2013:

(In millions)	Las Vegas	Atlantic City	Other U.S.	Managed, Int'l and Other	Discontinued Operations	Total
Net loss attributable to Caesars						\$ (212.2)
Net loss attributable to non-controlling interests						3.0
Net loss						(209.2)
Loss from discontinued operations, net of income taxes						0.3
Net loss from continuing operations, net of income taxes						(208.9)
Benefit for income taxes						(115.7)
Loss from continuing operations before income taxes						(324.6)
Other income, including interest income						(4.8)
Gain on partial sale of subsidiary						(44.1)
Gain on early extinguishments of debt						(41.3)
Interest expense, net of interest capitalized						540.1
Income/(loss) from operations	\$ 125.8	\$ 1.9	\$ 44.3	\$ (46.7)		125.3
Depreciation and amortization	58.0	32.1	42.7	8.5		141.3
Amortization of intangible assets	19.0	4.0	9.3	8.8		41.1
Intangible and tangible asset impairment charges	—	22.4	82.3	—		104.7
Write-downs, reserves, and project opening costs, net of recoveries	10.1	2.7	4.0	6.6		23.4
Acquisition and integration costs	—	—	—	2.2		2.2
(Income)/loss on interests in non-consolidated affiliates	(2.2)	—	(0.2)	16.2		13.8
Corporate expense	—	—	—	41.3		41.3
EBITDA attributable to discontinued operations					\$ (0.3)	(0.3)
Property EBITDA	<u>\$ 210.6</u>	<u>\$ 63.1</u>	<u>\$ 182.3</u>	<u>\$ 37.1</u>	<u>\$ (0.3)</u>	<u>\$ 492.8</u>

The following table reconciles net loss attributable to Caesars to Property EBITDA for the quarter ended June 30, 2012:

(In millions)	Las Vegas	Atlantic City	Other U.S.	Managed, Int'l and Other	Discontinued Operations	Total
Net loss attributable to Caesars						\$ (241.7)
Net loss attributable to non-controlling interests						(0.1)
Net loss						(241.8)
Loss from discontinued operations, net of income taxes						80.5
Net loss from continuing operations, net of income taxes						(161.3)
Benefit for income taxes						(105.9)
Loss from continuing operations before income taxes						(267.2)
Other income, including interest income						(6.5)
Gains on early extinguishments of debt						(33.7)
Interest expense, net of interest capitalized						496.5
Income/(loss) from operations	\$ 127.8	\$ 16.3	\$ 111.7	\$ (66.7)		189.1
Depreciation and amortization	64.9	44.9	52.1	13.6		175.5
Amortization of intangible assets	19.0	4.0	9.3	10.9		43.2
Intangible and tangible asset impairment charges	—	—	—	33.0		33.0
Write-downs, reserves, and project opening costs, net of recoveries	3.5	0.3	4.7	(0.6)		7.9
Acquisition and integration costs	—	—	—	1.1		1.1
(Income)/loss on interests in non-consolidated affiliates	(0.8)	1.5	(0.2)	2.7		3.2
Corporate expense	—	—	—	41.3		41.3
EBITDA attributable to discontinued operations					\$ 24.0	24.0
Property EBITDA	\$ 214.4	\$ 67.1	\$ 177.6	\$ 35.2	\$ 24.0	\$ 518.3

The following table reconciles net loss attributable to Caesars to Property EBITDA for the six months ended June 30, 2013:

(In millions)	Las Vegas	Atlantic City	Other U.S.	Managed, Int'l and Other	Discontinued Operations	Total
Net loss attributable to Caesars						\$ (430.1)
Net income attributable to non-controlling interests						3.9
Net loss						(426.2)
Loss from discontinued operations, net of income taxes						41.4
Net loss from continuing operations, net of income taxes						(384.8)
Benefit for income taxes						(406.0)
Loss from continuing operations before income taxes						(790.8)
Other income, including interest income						(8.3)
Gain on partial sale of subsidiary						(44.1)
Gains on early extinguishments of debt						(4.6)
Interest expense, net of interest capitalized						1,114.8
Income/(loss) from operations	\$ 230.1	\$ (1.3)	\$ 145.8	\$ (107.6)		267.0
Depreciation and amortization	119.5	74.5	90.0	19.0		303.0
Amortization of intangible assets	37.9	8.0	18.4	18.2		82.5
Intangible and tangible asset impairment charges	—	22.4	102.3	—		124.7
Write-downs, reserves, and project opening costs, net of recoveries	23.7	10.7	4.4	5.3		44.1
Acquisition and integration costs	—	—	—	66.4		66.4
(Income)/loss on interests in non-consolidated affiliates	(2.7)	—	(0.3)	19.4		16.4
Corporate expense	—	—	—	77.3		77.3
EBITDA attributable to discontinued operations					\$ (1.5)	(1.5)
Property EBITDA	\$ 408.5	\$ 114.3	\$ 360.6	\$ 98.0	\$ (1.5)	\$ 979.9

The following table reconciles net loss attributable to Caesars to Property EBITDA for the six months ended June 30, 2012:

(In millions)	Las Vegas	Atlantic City	Other U.S.	Managed, Int'l and Other	Discontinued Operations	Total
Net loss attributable to Caesars						\$ (522.3)
Net loss attributable to non-controlling interests						(0.6)
Net loss						(522.9)
Loss from discontinued operations, net of income taxes						73.2
Net loss from continuing operations, net of income taxes						(449.7)
Benefit for income taxes						(264.2)
Loss from continuing operations before income taxes						(713.9)
Other income, including interest income						(14.7)
Gains on early extinguishments of debt						(79.5)
Interest expense, net of interest capitalized						1,058.5
Income/(loss) from operations	\$ 247.9	\$ 35.1	\$ 62.5	\$ (95.1)		250.4
Depreciation and amortization	134.3	89.6	104.1	27.0		355.0
Amortization of intangible assets	37.9	8.0	18.4	22.1		86.4
Intangible and tangible asset impairment charges	—	—	167.5	39.5		207.0
Write-downs, reserves, and project opening costs, net of recoveries	7.2	2.2	12.0	2.7		24.1
Acquisition and integration costs	—	—	—	1.2		1.2
(Income)/loss on interests in non-consolidated affiliates	(1.6)	2.2	(0.3)	10.0		10.3
Corporate expense	—	—	—	93.5		93.5
EBITDA attributable to discontinued operations					\$ 46.9	46.9
Property EBITDA	\$ 425.7	\$ 137.1	\$ 364.3	\$ 100.8	\$ 46.9	\$ 1,074.8

## CAUTIONARY STATEMENT PURSUANT TO THE PRIVATE

### SECURITIES LITIGATION REFORM ACT OF 1995

This Quarterly Report on Form 10-Q includes “forward-looking statements” intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. You can identify these statements by the fact that they do not relate strictly to historical or current facts. These statements contain words such as “may,” “will,” “project,” “might,” “expect,” “believe,” “anticipate,” “intend,” “could,” “would,” “estimate,” “continue,” “pursue,” or the negative or other variations thereof or comparable terminology. In particular, they include statements relating to, among other things, future actions, new projects, strategies, future performance, the outcomes of contingencies, and future financial results of Caesars. These forward-looking statements are based on current expectations and projections about future events.

Investors are cautioned that forward-looking statements are not guarantees of future performance or results and involve risks and uncertainties that cannot be predicted or quantified, and, consequently, the actual performance of Caesars may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to, the following factors, as well as other factors described from time to time in the Company's reports filed with the SEC (including the sections entitled “Risk Factors” and “Management's Discussion and Analysis of Financial Condition and Results of Operations” contained therein):

- the ability to satisfy the conditions to the closing of the Caesars Growth Partners transaction described in this Quarterly Report on Form 10-Q, including receipt of required regulatory approvals;
- the Caesars Growth Partners transaction may not consummate on the terms contemplated or at all;
- the impact of the Company's substantial indebtedness and the restrictions in the Company's debt agreements;
- access to available and reasonable financing on a timely basis, including the ability of the Company to refinance its indebtedness on acceptable terms;
- 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;
- changes in the extensive governmental regulations to which the Company and its stockholders are subject, and 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 of the Company's customer-tracking, customer loyalty, and yield-management programs to continue to increase customer loyalty and same-store or hotel sales;
- the effects of competition, including locations of competitors and operating and market competition;
- 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 the Company acquires into its operations;
- the potential difficulties in employee retention and recruitment as a result of the Company's 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;



- acts of war or terrorist incidents, severe weather conditions, uprisings or natural disasters, including losses therefrom, including losses in revenues and damage to property, and the impact of severe weather conditions on the Company's ability to attract customers to certain of its facilities, such as the amount of losses and disruption to the Company as a result of Hurricane Sandy in late October 2012;
- the effects of environmental and structural building conditions relating to the Company's properties;
- access to insurance on reasonable terms for the Company's assets; and
- the impact, if any, of unfunded pension benefits under multi-employer pension plans.

Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made. Caesars disclaims any obligation to update the forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated or, if no date is stated, as of the date of this Quarterly Report on Form 10-Q.

### **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 \$23,662.0 million face value of debt, including capital lease obligations, at June 30, 2013, we have entered into interest rate swap agreements to fix the interest rate on \$5,750.0 million of variable rate debt, and \$4,255.3 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 June 30, 2013. Our material ownership interests in businesses in foreign countries are the London Clubs. 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 June 30, 2013. 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

There are no material changes from the disclosure set forth under Part I, Item 3, "Legal Proceedings," in the Company's Annual Report on Form 10-K for the year ended December 31, 2012, as amended.

### Item 1A. Risk Factors

Below, we are providing, in supplemental form, the material changes to our risk factors that occurred during the past quarter. Our risk factors disclosed in Part I, Item 1A, of our 2012 10-K, provide additional disclosure and context for these supplemental risks and are incorporated herein by reference.

***We may be unable to generate sufficient cash to service all of our indebtedness, and may be forced to take other actions to satisfy our obligations under our indebtedness that may not be successful.***

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

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

We may be unable to generate sufficient cash flow from operations, or unable to draw under our senior secured credit facilities or otherwise, in an amount sufficient to fund our liquidity needs. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time.

We do not expect that our cash flow from operations will be sufficient to repay this indebtedness, and we will have to seek a refinancing. We cannot predict at this time whether we will be able to secure any such refinancing, even if market conditions and our financial condition improve between now and then. Even if refinancing alternatives were available to us, we may not find them suitable or at comparable interest rates to the indebtedness being refinanced. In addition, the terms of existing or future debt agreements may restrict us from securing a refinancing on terms that are available to us at that time. In the absence of such operating results and resources, we would face substantial liquidity problems and would likely be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions for fair market value or at all. Furthermore, any proceeds that we could realize from any such dispositions may not be adequate to meet our debt service obligations then due. We could also be required to reorganize our company in its entirety. CEC is pursuing a strategic transaction that contemplates the transfer of certain of its assets that are not part of the collateral package for the senior secured credit facilities or the secured notes issued by CEOC, including unencumbered assets of CEC and unrestricted subsidiaries of CEOC, to a newly created entity, Growth Partners, which is anticipated to be controlled by common parties that control CEC. For a discussion of the Growth Partners transaction see the Current Report on Form 8-K filed with the SEC on April 23, 2013 and the Form S-1 Registration Statement filed by CAC with the SEC on July 10, 2013. Growth Partners would be a growth oriented vehicle focused on projects that are complementary to CEC's existing properties. We anticipate that CEC would own a significant portion of Growth Partners' equity interests and that subsidiaries of CEC would manage new casino properties owned by Growth Partners. We are pursuing this transaction because we believe it will improve our liquidity and credit profile, enhance our distribution network and provide additional support for potential new ventures. The transaction would require the approval of regulators and other third parties, which we may not be able to obtain. Therefore, we cannot assure you that any such transaction will be entered into or consummated or, if consummated, describe the impact the transaction would have on us. Consequently, there can be no assurances that we will receive any cash from the Growth Partners transaction as a result of our ownership of Growth Partner's equity interests or in the form of management fees. Neither the Sponsors nor any of their respective affiliates has any continuing obligation to provide us with debt or equity financing. Even if we are able to refinance our debt, any refinancing could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. For example, the interest rates on our first and second lien notes are substantially higher than the interest rates under our senior secured credit facility, and the interest rates on our first lien notes, the proceeds of which were used to refinance term loans under our senior secured credit facilities, are substantially higher than the interest rates applicable to such term loans. If we are unable to service our debt obligations generally, and if we are unable to refinance our debt obligations that mature in 2015 or thereafter, we cannot assure you that our company will continue in its current state or that your investment in our company will retain any value.

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

From time to time, we evaluate our properties and our portfolio of businesses and may, as a result, sell or attempt to sell, divest or spin-off different properties or assets. For example, in November 2012, we sold our Harrah's St. Louis property. In addition, CEC's board of directors approved the material terms of the proposed Growth Partners strategic transaction. These sales or divestitures affect our costs, revenues, profitability and financial position.

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

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

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

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

Moreover, our development and expansion projects are sometimes jointly pursued with third parties or by licensing our brands to third parties. These joint development, expansion projects or license agreements are subject to risks, in addition to those disclosed above, as they are dependent on our ability to reach and maintain agreements with third parties.

For example, we are an investor in Suffolk Downs, and Suffolk Downs intends to make a bid to open a casino at its facility that we would manage, but we can give no assurances that if we do submit our bid the bid will be awarded to us or that the development project will be undertaken.

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

***The SEC's investigation of a retired Deloitte partner who was formerly the advisory partner on Deloitte's audit engagement for Caesars Entertainment could result in a determination that Deloitte was not independent of Caesars Entertainment which may adversely affect our ability to comply with certain obligations imposed by federal securities law and certain debt agreements.***

Deloitte & Touche LLP ("Deloitte") is our independent registered public accounting firm. In April 2013, Deloitte advised Caesars Entertainment that a retired Deloitte partner who was formerly the advisory partner on Deloitte's audit engagement for Caesars Entertainment during most of 2009 (a period not covered in this filing) is the subject of a formal investigation by the SEC. During 2009, this individual engaged in gaming activities at a Caesars Entertainment casino. Deloitte conducted a review of these gaming activities and this individual's role as advisory partner and reported to the Audit Committee of Caesars Entertainment its conclusion that the individual's activities did not at any time impair Deloitte's independence, because, among other considerations, these activities were not inconsistent with the SEC's independence rules and furthermore he had no substantive role in any audit or review concerning Caesars Entertainment. After Caesars Entertainment conducted its own independent review with the assistance of outside counsel, the Caesars Entertainment Audit Committee, in early May 2013, accepted Deloitte's report and concurred with Deloitte's conclusion that Deloitte's independence was and is not impaired.

If regulatory authorities were to determine that Deloitte was not independent of Caesars Entertainment, such determination may adversely affect Caesars Entertainment's ability to comply with certain obligations imposed by federal securities laws and certain debt agreements, which would have a material adverse effect on our business and financial condition.

***Growth Partners' interests may conflict with our interests.***

The interests of Growth Partners could conflict with our interests. Growth Partners is in a similar business to us and is required to first provide any potential development opportunities to us. However, we may decide to decline the opportunity for CEC's business or CEOC's business and permit Growth Partners to pursue the development opportunity. A committee of CEC's board of directors comprised of disinterested directors will consider potential development opportunities provided to us by Growth Partners. If the committee declines an opportunity, that opportunity will be available to Growth Partners and will not be available to our businesses. As a result, our business and growth prospects could be negatively impacted. Furthermore, the consideration of business opportunities may create potential or perceived conflicts of interests between our and Growth Partners' businesses. While CEC may retain a portion of the financial stake in any management fee to be received in connection with an opportunity provided to Growth Partners, there can be no assurances that such opportunity will be successful or that we will receive the expected fees from any opportunity.

Although certain employees of each of the Sponsors are on the boards of directors of CEC and CAC, the certificates of incorporation of both companies provide that neither the Sponsors nor directors have any obligation to present any corporate opportunity to CEC or CAC. Accordingly, the Sponsors may pursue gaming, entertainment or other activities outside of CEC or CAC and have no obligation to present such opportunity to CEC or CAC.

***There may be a significant degree of difficulty in operating Growth Partners' business separately from our business, and managing that process effectively could require a significant amount of management's time.***

The separation from Growth Partners' business from our business could cause an interruption of, or loss of momentum in, the operation of our businesses. Management may be required to devote considerable amounts of time to the separation, which will decrease the time they will have to manage their ordinary responsibilities. If management is not able to manage the separation effectively, or if any significant business activities are interrupted as a result of the separation, our businesses and operating results could suffer.

***We will provide corporate services, back-office support and advisory and business management services through a management services agreement to Growth Partners, which may require a significant amount of our resources and management to devote its time to efforts other than our business, which could negatively impact our business and prospects.***

Pursuant to a management services agreement, we will provide corporate services, back-office support and advisory business management services to CAC and Growth Partners. CAC has few, and Growth Partners has no, employees and neither has any history of operating casinos or online entertainment. Therefore, the business and operations of CAC and Growth Partners are dependent on the services provided by us and may require a significant amount of our resources and devotion of our management's time. The additional demands associated with our providing advisory and management services to CAC and Growth Partners may impact regular operations of our business by diverting our resources and the attention of some of our senior management team away from revenue producing activities, adversely affecting our ability to attract and complete business opportunities and increasing the difficulty in both retaining professionals and managing and growing our businesses. Any of these effects could harm our business, financial condition and results of operations.

**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**

On August 6, 2013, Caesars Entertainment Operating Company, Inc. (“CEOC”), a wholly-owned subsidiary of Caesars Entertainment Corporation (the “Registrant”), entered into a Share Purchase Agreement (“Purchase Agreement”) with Pearl Dynasty Investments Limited (“Buyer”), pursuant to which Buyer will purchase from the CEOC all of the equity interests of certain subsidiaries of CEOC for a purchase price of \$438.0 million, thereby conveying ownership of a golf course located in Macau.

The Purchase Agreement requires Buyer to deposit certain amounts with CEOC in connection with the transaction. The Buyer deposited \$21.9 million on August 7, 2013, and an additional \$43.8 million on August 8, 2013. The deposits will be applied to the purchase price at closing of the transaction.

The Buyer must complete the transaction within ninety (90) days, subject to a right to extend the period for closing by one month. For the extension, Buyer must deposit an additional \$8.0 million with CEOC.

CEOC is generally entitled to retain \$43.8 million (ten percent (10%) of the purchase price) plus any amount received in connection with extension of the time for closing as liquidated damages if Buyer does not complete the transaction when required. Under certain limited circumstances, CEOC may be required to return the deposit and pay liquidated damages to Buyer in an amount of up to \$43.8 million if CEOC does not complete the transaction when required or Buyer terminates the agreement due to a breach of certain of CEOC's representations in the Purchase Agreement.

The transactions contemplated by the Purchase Agreement are subject to customary closing conditions, and are expected to close in the final quarter of 2013. The Registrant expects to use the net proceeds from the sale, which are expected to be approximately \$420.0 million, to fund CEOC capital expenditures or to repurchase certain outstanding debt obligations of CEOC.

The Purchase Agreement contains customary representations, warranties and covenants by the CEOC and Buyer. The representations and warranties in the Purchase Agreement were made solely for the benefit of the other parties to the Purchase Agreement and (i) were not intended to be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) may have been qualified in the Purchase Agreement by disclosures that were made to the other parties in connection with the negotiation of the Purchase Agreement; (iii) may apply contractual standards of “materiality” or “Material Adverse Effect” that are different from “materiality” under the applicable securities laws; and (iv) were made only as of the date of the Purchase Agreement or such other date or dates as may be specified in the Purchase Agreement. Accordingly, you should not rely on the representations and warranties in the Purchase Agreement as characterizations of the actual state of facts about the Registrant, CEOC or Buyer.

**Item 6. Exhibits**

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
3.1	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
3.2	Amended Bylaws of Caesars Entertainment Corporation, as amended, dated February 8, 2012.	—	10-K	12/31/2011	3.8	3/15/2012
3.3	Restated Certificate of Incorporation of Harrah's Operating Company, Inc. (f/k/a Embassy Suites, Inc.), as amended, dated June 13, 2005.	—	S-4	—	3.1	10/29/2008
3.4	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
3.5	Certificate of Amendment of Certificate of Incorporation of Caesars Entertainment Operating Company, Inc. dated November 22, 2010.	—	8-K	—	3.3	11/24/2010
3.6	Bylaws of Harrah's Operating Company, Inc., as amended.	—	S-4	—	3.4	10/29/2008
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 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
4.5	Amended and Restated Indenture, dated as of July 28, 2005, among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc., as Issuer, and U.S. Bank National Association, as Trustee, relating to the Floating Rate Contingent Convertible Senior Notes due 2024.	—	8-K	—	4.8	8/2/2005

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
4.6	First Supplemental Indenture, dated as of September 9, 2005, to Amended and Restated Indenture, dated as of July 28, 2005, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc. as Guarantor, and U.S. Bank National Association, as Trustee, relating to the Floating Rate Contingent Convertible Senior Notes due 2024.	—	**S-3/A	—	4.7	9/19/2005
4.7	Second Supplemental Indenture, dated as of January 8, 2008, to Amended and Restated Indenture, dated as of July 28, 2005, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc. as Guarantor, and U.S. Bank National Association, as Trustee, relating to the Floating Rate Contingent Convertible Senior Notes due 2024.	—	10-K	12/31/2007	4.25	2/29/2008
4.8	Third Supplemental Indenture, dated as of January 28, 2008, to Amended and Restated Indenture, dated as of July 28, 2005, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc. as Guarantor, and U.S. Bank National Association, as Trustee, relating to the Floating Rate Contingent Convertible Senior Notes due 2024.	—	8-K	—	4.1	1/28/2008
4.9	Indenture, dated as of May 27, 2005, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.625% Senior Notes due 2015.	—	8-K	—	4.1	6/3/2005
4.10	First Supplemental Indenture, dated as of August 19, 2005, to Indenture, dated as of May 27, 2005, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.625% Senior Notes due 2015.	—	S-4	—	4.44	8/25/2005
4.11	Second Supplemental Indenture, dated as of September 28, 2005, to Indenture, dated as of May 27, 2005, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.625% Senior Notes due 2015.	—	8-K	—	4.4	10/3/2005
4.12	Indenture dated as of September 28, 2005, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.75% Senior Notes due 2017.	—	8-K	—	4.1	10/3/2005

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
4.13	Indenture, dated as of June 9, 2006, between Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. National Bank Association, as Trustee, relating to the 6.50% Senior Notes due 2016.	—	8-K	—	4.1	6/14/2006
4.14	Officers' Certificate, dated as of June 9, 2006, pursuant to Sections 301 and 303 of the Indenture dated as of June 9, 2006 between Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. National Bank Association, as Trustee, relating to the 6.50% Senior Notes due 2016.	—	8-K	—	4.2	6/14/2006
4.15	Indenture, dated as of February 1, 2008, by and among Harrah's Operating Company, Inc., the Guarantors (as defined therein) and U.S. Bank National Association, as Trustee, relating to the 10.75% Senior Cash Pay Notes due 2016 and 10.75%/11.5% Senior Toggle Notes due 2018.	—	8-K	—	10.1	2/4/2008
4.16	First Supplemental Indenture, dated as of June 12, 2008, by and among Harrah's Operating Company, Inc., the Guarantors (as defined therein) and U.S. Bank National Association, as Trustee, relating to the 10.75% Senior Cash Pay Notes due 2016 and 10.75%/11.5% Senior Toggle Notes due 2018.	—	10-Q	6/30/2008	4.34	8/11/2008
4.17	Second Supplemental Indenture, dated as of January 9, 2009, by and among Harrah's Operating Company, Inc., the Guarantors (as defined therein) and U.S. Bank National Association, as Trustee relating to the 10.75% Senior Notes due 2016 and 10.75%/11.5% Senior Toggle Notes due 2018.	—	10-Q	3/31/2009	4.35	5/14/2009
4.18	First Supplemental Indenture, dated as of March 26, 2009, by and among Harrah's Operating Company, Inc., the Note Guarantors (as defined therein) and U.S. Bank National Association, as Trustee relating to the 10.75% Senior Notes due 2016 and 10.75%/11.5% Senior Toggle Notes due 2018.	—	8-K	—	4.1	3/31/2009
4.19	Indenture, dated as of December 24, 2008, by and among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. Bank National Association, as Trustee, relating to the 10.00% Second-Priority Senior Secured Notes due 2018 and 10.00% Second-Priority Senior Secured Notes due 2015.	—	S-4/A	—	4.39	12/24/2008



Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
4.20	First Supplemental Indenture, dated as of July 22, 2009, by and among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. Bank National Association, as Trustee, relating to the 10.00% Second-Priority Senior Secured Notes due 2018 and 10.00% Second-Priority Senior Secured Notes due 2015.	—	10-Q	6/30/2009	4.38	8/13/2009
4.21	Second Supplemental Indenture dated as of April 12, 2013, by and among Caesars Entertainment Operating Company, Inc., Caesars Entertainment Corporation and U.S. Bank National Association, as Trustee relating to the 10% Senior Secured Notes due 2015.	—	10-Q	3/31/2013	4.24	5/9/2013
4.22	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 relating to the 12.75% Second-Priority Senior Secured Notes due 2018.	—	S-4/A	—	4.40	12/24/2008
4.23	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 relating to the 10.00% Second-Priority Senior Secured Notes due 2018.	—	8-K	—	4.1	4/20/2009
4.24	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
4.25	Second Supplemental Indenture dated as of April 12, 2013, by and among Caesars Entertainment Operating Company, Inc., Caesars Entertainment Corporation and U.S. Bank National Association, as Trustee relating to the 10.00% Senior Secured Notes due 2018.	—	10-Q	3/31/2013	4.28	5/9/2013
4.26	Indenture, dated as of June 10, 2009, by and among Harrah's Operating Escrow LLC, Harrah's Escrow Corporation, Harrah's Entertainment, Inc. and U.S. Bank National Association, as trustee, relating to the 11.25% Senior Secured Notes due 2017.	—	8-K	—	4.1	6/15/2009
4.27	Supplemental Indenture, dated as of June 10, 2009, by and among Harrah's Operating Company, Inc. and U.S. Bank National Association, as trustee, relating to the 11.25% Senior Secured Notes due 2017.	—	8-K	—	4.2	6/15/2009

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4.28	Second Supplemental Indenture, dated as of September 11, 2009, by and among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. Bank National Association, as trustee, relating to the 11.25% Senior Secured Notes due 2017.	—	8-K	—	4.1	9/17/2009
4.29	Third Supplemental Indenture dated as of April 12, 2013 by and among Caesars Entertainment Operating Company, Inc., Caesars Entertainment Corporation and U.S. Bank National Association as Trustee related to the 11.25% Senior Secured Notes due 2017.	—	10-Q	3/31/2013	4.32	5/9/2013
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, relating to the 12.75% Second-Priority Senior Secured Notes due 2018.	—	8-K	—	4.1	5/24/2010
4.32	Second Supplemental Indenture dated as of April 12, 2013 by and among Caesars Operating Escrow LLC, Caesars Escrow Corporation, Caesars Entertainment Corporation and U.S. Bank National Association as Trustee related to the 12.75% Senior Secured Notes due 2018.	—	10-Q	3/31/2013	4.35	5/9/2013
4.33	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, relating to the 12.75% Second-Priority Senior Secured Notes due 2018.	—	8-K	—	10.1	5/24/2010
4.34	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, relating to the 12.75% Second-Priority Senior Secured Notes due 2018.	—	8-K	—	10.2	5/24/2010

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			Form	Period Ending	Exhibit	Filing Date
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, relating to the 9.25% Senior Secured Notes due 2020.	—	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, relating to the 8.5% Senior Secured Notes due 2020.	—	8-K	—	4.1	2/15/2012
4.37	Supplemental Indenture, dated as of March 1, 2012, by and among Caesars Operating Escrow LLC, Caesars Escrow Corporation, Caesars Entertainment Corporation and U.S. Bank National Association, as trustee, relating to the 8.5% Senior Secured Notes due 2020.	—	8-K	—	4.1	3/2/2012
4.38	Second Supplemental Indenture dated as of April 12, 2013 by and among Caesars Operating Escrow LLC, Caesars Escrow Corporation, Caesars Entertainment Corporation and U.S. Bank National Association, as Trustee related to the 8.5% Senior Secured Notes due 2020.	—	10-Q	3/31/2013	4.44	5/9/2013
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	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, related to the 9% Senior Secured Notes due 2020.	—	8-K	—	4.2	8/22/2012
4.41	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, related to the 9% Senior Secured Notes due 2020.	—	8-K	—	4.2	10/10/2012

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
4.42	Registration Rights Agreement, dated as of December 13, 2012 (to the August 22, 2012 and October 5, 2012 Registration Rights Agreement and Joinder), by and among Caesars Operating Escrow LLC, Caesars Escrow Corporation, Caesars Entertainment Corporation and Citigroup Global Markets Inc., as representative of the initial purchasers, related to the 9% Senior Secured Notes due 2020.	—	8-K	—	4.2	12/13/2012
4.43	Joinder to Registration Rights Agreement, dated as of February 20, 2013 (to the August 22, 2012 Registration Rights Agreement, the October 5, 2012 Joinder and the December 13, 2012 Joinder) , by and among Caesars Entertainment Operating Company, Inc. and Citigroup Global Markets Inc., as representative of the initial purchasers, related to the 9% Senior Secured Notes due 2020.	—	8-K	—	4.2	2/21/2013
4.44	Indenture dated as of August 22, 2012 by and 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
4.45	Supplemental Indenture, dated as of October 5, 2012 , by and 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	10/10/2012
4.46	Additional Notes Supplemental Indenture, dated as of December 13, 2012 , by and 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	12/13/2012
4.47	Third Supplemental Indenture, dated as of February 20, 2013, by and among Caesars Operating Escrow, LLC, Caesars Escrow Corporation, Caesars Entertainment Corporation, and U.S. Bank National Association, as trustee, in connection with the 9% Senior Secured Notes due 2020.	—	8-K	—	4.1	2/21/2013
4.48	Fourth Supplemental Indenture, dated as of April 12, 2013, by and among Caesars Operating Escrow, LLC, Caesars Escrow Corporation, Caesars Entertainment Corporation, and U.S. Bank National Association, as trustee, in connection with the 9% Senior Secured Notes due 2020.	—	10-Q	3/31/2013	4.56	5/9/2013

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
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4.49	Indenture, dated as of February 15, 2013, by and 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	2/15/2013
4.50	Registration Rights Agreement, dated as of February 15, 2013, by and among Caesars Operating Escrow LLC, Caesars Escrow Corporation, Caesars Entertainment Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the initial purchasers, related to the 9% Senior Secured Notes due 2020.	—	8-K	—	4.2	2/15/2013
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	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
10.3	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
10.4	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

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10.5	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
10.6	Reaffirmation Agreement, dated as of March 27, 2013, 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	3/28/2013
10.7	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
10.8	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
10.9	Amendment, dated as of February 6, 2013, to the Second Amended and Restated Credit Agreement, dated as of March 1, 2012, among Caesars Entertainment Corporation, Caesars Entertainment Operating Company, Inc., the lenders from time to time party thereto, Bank of America, N.A., as administrative agent and collateral agent, and the other parties named therein.	—	8-K	—	10.1	3/28/2013

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
10.10	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
10.11	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
10.12	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
10.13	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
10.14	Other First Lien Secured Party Consent to the Collateral Agreement, dated as of February 20, 2013, 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	—	10.2	2/20/2013
10.15	Other First Lien Secured Party Consent to the Collateral Agreement, dated as of March 27, 2013, 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	3/28/2013
10.16	Other First Lien Secured Party Consent to the Guaranty and Pledge Agreement, dated as of February 20, 2013, 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	—	10.3	2/20/2013

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
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10.17	Other First Lien Secured Party Consent to the Guaranty and Pledge Agreement, dated as of March 27, 2013, 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	3/28/2013
10.18	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
10.19	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
10.20	Joinder and Supplement to the Intercreditor Agreement, dated as of April 15, 2009 (to the Agreement dated December 24, 2008) 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
10.21	First Lien Intercreditor Agreement, dated as of June 10, 2009 (to the Agreement dated December 24, 2008), 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



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			Form	Period Ending	Exhibit	Filing Date
10.22	Joinder and Supplement to Intercreditor Agreement, dated June 10, 2009 (to the Agreement dated December 24, 2008) by and among U.S. Bank National Association, as new trustee, U.S. Bank National Association, as Trustee under the Intercreditor Agreement, Bank of America, N.A., as Credit Agreement Agent under the Intercreditor Agreement, U.S. Bank National Association as a Second Priority Agent under the Intercreditor Agreement and any other First Lien Agent and Second Priority Agent from time to time party to the Intercreditor Agreement. (Exhibit A thereto incorporated by reference to exhibit 10.4 to the Registrant's Annual Report on Form 10-K filed March 17, 2009).	—	8-K	—	10.2	6/15/2009
10.23	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 related to the 11.25% Senior Secured Notes due 2017.	—	8-K	—	10.1	9/17/2009
10.24	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, relating to the 8.5% Senior Secured Notes due 2020.	—	8-K	—	10.3	3/2/2012
10.25	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
10.26	Joinder and Supplement to the Intercreditor Agreement, dated as of February 20, 2013 (the Intercreditor Agreement dated December 24, 2008) , 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	2/20/2013

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
10.27	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
10.28	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
10.29	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
10.30	Other First Lien Secured Party Consent, dated as of September 11, 2009, by U.S. Bank National Association, as agent or trustee for persons who shall become "Secured Parties" under the Amended and Restated Guaranty and Pledge Agreement dated and effective as of January 28, 2008 (as amended and restated on June 10, 2009).	—	8-K	—	10.3	9/17/2009
10.31	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
10.32	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
10.33	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
10.34	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

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
10.35	Amendment to Escrow Agreement dated as of October 29, 1993 (to the Agreement dated February 9, 1990) among The Promus Companies Incorporated, certain subsidiaries thereof, and NationsBank, formerly Sovran Bank.	—	10-K	12/31/1993	10.66	3/28/1994
10.36	Amendment, dated as of June 7, 1995 ( the Agreement dated February 6, 1990 and amended on October 29, 1993), to Escrow Agreement among The Promus Companies Incorporated, certain subsidiaries thereof and NationsBank.	—	8-K	—	10.12	6/15/1995
10.37	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
10.38	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
10.39	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
10.40	Letter Agreement with Wells Fargo Bank Minnesota, N.A., dated August 31, 2000, concerning appointment as Escrow Agent under Escrow Agreement for deferred compensation plans.	—	10-Q	9/30/2000	10.7	11/13/2000
†10.41	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
†10.42	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
†10.43	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
†10.44	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

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
†10.45	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
†10.46	First Amendment to the 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
†10.47	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
†10.48	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
10.49	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
10.50	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

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
10.51	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
10.52	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
10.53	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
10.54	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

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
10.55	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
10.56	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
10.57	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
10.58	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
10.59	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
10.60	Form of Management Agreement entered into between each Mortgage Loan Borrower and its respective Operating Company.	—	8-K	—	10.12	9/3/2010

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
10.61	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
10.62	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
10.63	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
10.64	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
10.65	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
10.66	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

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
10.67	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
10.68	Agreement Among Fifth Mezzanine Noteholders, dated August 31, 2010, among Citibank, N.A., Credit Suisse AG, Cayman Islands Branch (f/k/a Credit Suisse, Cayman Islands Branch), Goldman Sachs Mortgage Company, Blackstone Special Funding (Ireland), German American Capital Corporation, and Bank of America, N.A., as Collateral Agent.	—	8-K	—	10.20	9/3/2010
10.69	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
10.70	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
10.71	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
10.72	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



Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
10.73	Share Purchase Agreement between Caesars Entertainment Operating Company, Inc., and Pearl Dynasty Investments Limited dated August 6, 2013.	X				
10.74	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
10.75	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
10.76	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
10.77	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
10.78	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
10.79	Irrevocable Proxy of Hamlet Holdings LLC, dated November 22, 2010.	—	8-K	—	10.1	11/24/2010
†10.80	Amended and Restated Management Investors Rights Agreement, dated November 22, 2010.	—	8-K	—	10.2	11/24/2010
†10.81	Consent and Acknowledgment, dated May 6, 2013, to the Amended Management Investors Rights Agreement.	—	10-Q	3/31/2013	10.74	5/9/2013

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
10.82	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, for the financing of the Octavius Tower and Project Linq development.	—	8-K	—	10.1	4/27/2011
10.83	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), for the financing of the Octavius Tower and Project Linq development.	—	8-K	—	10.2	4/27/2011
10.84	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, for the financing of the Octavius Tower and Project Linq development.	—	8-K	—	10.3	4/27/2011
10.85	Amended and Restated Credit Agreement, Dated as of November 14, 2012, among Caesars Entertainment Operating Company, Inc., as Borrower, and Caesars Entertainment Corporation, as Lender.	—	10-K/A	12/31/2012	10.72	3/15/2013
†10.86	Caesars Entertainment Corporation Management Equity Incentive Plan, as amended and restated on November 29, 2011.	—	S-1/A	—	10.78	12/28/2011
†10.87	Caesars Entertainment Corporation 2012 Performance Incentive Plan.	—	S-1/A	—	10.89	2/2/2012
†10.88	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
†10.89	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
†10.90	Form of Caesars Entertainment Corporation Management Equity Incentive Plan Stock Option Grant Agreement.	—	SC-TO-I	—	(d)(7)	7/25/2012
†10.91	Form of Amendment to Caesars Entertainment Corporation Management Equity Incentive Plan Stock Option Grant Agreement.	—	SC-TO-I	—	(d)(8)	7/25/2012
†10.92	Amendment No.1 to the Caesars Entertainment Corporation 2012 Performance Incentive Plan.	—	8-K	—	10.1	7/25/2012

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
†10.93	Form of Caesars Entertainment Corporation 2012 Performance Incentive Plan Nonqualified Option Award Agreement.	—	SC-TO-I	—	(d)(3)	7/25/2012
†10.94	Form of Caesars Entertainment Corporation 2012 Performance Incentive Plan Nonqualified Option Award Agreement (Replacement Options).	—	SC-TO-I	—	(d)(4)	7/25/2012
†10.95	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
†10.96	Form of Caesars Entertainment 2012 Performance Incentive Plan Restricted Share Award Agreement.	—	10-K/A	12/31/2012	10.84	3/15/2013
†10.97	Form of Caesars Entertainment Corporation 2012 Performance Incentive Plan Restricted Stock Unit Award Agreement	—	8-K	—	10.1	7/2/2013
†10.98	Financial Counseling Plan of Harrah's Entertainment, Inc., as amended January 1996.	—	10-K	12/31/1995	10.22	3/6/1996
†10.99	Waiver of Financial Counseling Plan, effective as of April 29, 2013, by and between Gary W. Loveman and Caesars Entertainment Corporation.	—	10-Q	3/31/2013	10.31	5/9/2013
†10.100	2009 Senior Executive Incentive Plan, amended and restated December 7, 2012.	—	10-K/A	12/31/2012	10.90	3/15/2013
†10.101	Caesars Entertainment Corporation Omnibus Incentive Plan, dated November 14, 2012.	—	10-K/A	12/31/2012	10.91	3/15/2013
†10.102	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
†10.103	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
†10.104	Employment Agreement made as of November 14, 2012, by and between Caesars Entertainment Operating Company, Inc. and Donald Colvin.	—	10-K/A	12/31/2012	10.85	3/15/2013
†10.105	Employment Agreement made as of August 8, 2012, by and between Caesars Entertainment Operating Company, Inc. and Diane Wilfong.	—	10-K/A	12/31/2012	10.86	3/15/2013

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
†10.106	Employment Agreement made as of April 2, 2009 by and between Harrah's Operating Company, Inc. and Timothy Donovan.	—	10-K/A	12/31/2012	10.87	3/15/2013
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated August 9, 2013.	X				
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated August 9, 2013.	X				
32.1	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated August 9, 2013.	X				
32.2	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated August 9, 2013.	X				
99.1	Supplemental Discussion of Caesars Entertainment Operating Company, Inc. Financial Information	X				
99.2	Supplemental Discussion of Caesars Entertainment's Commercial Mortgage-Backed Securities Related Properties Financial Information	X				
***101	The following financial statements from the Company's Form 10-Q for the quarter ended June 30, 2013, formatted in XBRL: (i) Consolidated Condensed Balance Sheets, (ii) Consolidated Condensed Statements of Operations, (iii) Consolidated Condensed Statements of Comprehensive Loss, (iv) Consolidated Condensed Statement of Stockholders' Equity, (v) Consolidated Condensed Statements of Cash Flows, (vi) Notes to Consolidated Financial Statements.	X				

† Denotes a management contract or compensatory plan or arrangement.

\* Filed by Park Place Entertainment Corporation

\*\* Filed by Harrah's Entertainment, Inc.

\*\*\* Furnished herewith.



Dated 6 August 2013

CAESARS ENTERTAINMENT OPERATING COMPANY, INC.

and

PEARL DYNASTY INVESTMENTS LIMITED

## SHARE PURCHASE AGREEMENT

### Linklaters

Linklaters  
10th Floor, Alexandra House  
Chater Road  
Hong Kong  
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Facsimile (+852) 2810 8133/2810 1695

Ref L-208232

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## Share Purchase Agreement

This Agreement is made on 6 August 2013

between:

- (1) Caesars Entertainment Operating Company, Inc., a company incorporated in Delaware whose registered office is at 1 Caesars Palace Drive, Las Vegas, Nevada, USA, 89108 ("**Seller**"); and
- (2) Pearl Dynasty Investments Limited, a company incorporated in the British Virgin Islands whose registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, British Virgin Islands ("**Purchaser**").

Whereas:

- (A) The Seller owns all of the Shares comprising the entire issued share capital of each of the Companies, details of which are set out in Paragraph 1 of Schedule 1.
- (B) The Companies together own all of the Subsidiaries' Shares comprising the entire share capital of each of the Subsidiaries, details of which are set out in Paragraph 2 of Schedule 1.
- (C) The Seller has agreed to sell the Shares, and therefore indirectly transfer the shares in Ou Toi and the Property, and to assume the obligations imposed on the Seller under this Agreement.
- (D) The Purchaser has agreed to purchase the Shares, the purpose of which is to indirectly acquire the shares of Ou Toi and therefore the Property, and to assume the obligations imposed on the Purchaser under this Agreement.

It is agreed as follows:

### 1 Interpretation

In this Agreement, unless the context otherwise requires, the provisions in this Clause 1 apply:

#### 1.1 Definitions

"**Accounts**" means in respect of the Companies the unaudited combined management accounts of the Companies, and in respect of each of the Subsidiaries the audited financial statements of such Subsidiary, in each case, drawn up to the Accounts Date;

"**Accounts Date**" means 31 December 2012;

"**Agreed Closing Management Accounts**" has the meaning ascribed to it in Clause 4.9.1;

"**Agreed Form**" means, in relation to a document, such document in the form agreed between the Seller and the Purchaser and initialled or otherwise identified by each of the Seller and the Purchaser as at the date of this Agreement, with such alterations as may be agreed in writing from time to time between the Seller and the Purchaser;

"**Brokerage**" means any amount paid by the Seller to Global Property Partners Ltd. in connection with the transactions contemplated under this Agreement;

"**Business Day**" means a day which is not a Saturday, a Sunday or a public holiday in Hong Kong or Macau;

"**BVI**" means the British Virgin Islands;

"**Caesars Golf**" means Caesars Golf Macau Limited, details of which are set out in Paragraph 2 of Schedule 1;

"**Caesars Group**" means Caesars Entertainment Corporation and its direct and indirect subsidiaries (excluding the Group Companies);



“**Caesars Group Liabilities**” means in aggregate, each current and non-current liability that is owed by a Group Company to a member of the Caesars Group;

“**Closing**” means the completion of the sale of the Shares pursuant to Clauses 4.4, 4.5 and 4.6;

“**Closing Amount**” means US\$372,300,000 and:

- (i) if the amount of Working Capital shown in the Closing Managements Accounts is a negative number, less such amount of Working Capital; and
- (ii) if the amount of Working Capital shown in the Closing Management Accounts is a positive number, plus such amount of Working Capital;

“**Closing Management Accounts**” means the unaudited combined management accounts of the Group Companies dated no earlier than twenty (20) Business Days before Closing and certified as being not misleading in any material respect having regard to the purpose for which they were drawn up and as not materially misstating the assets and liabilities of the Group Companies as at the date to which they are drawn up nor the profits or losses for the period concerned, by the Chief Accounting Officer of Caesars Entertainment Corporation (as at the date of this Agreement, Diane Wilfong) or the Vice President and Assistant Controller of Caesars Entertainment Corporation (as at the date of this Agreement, Ken Kuick) , in a form and prepared on a basis consistent with the management accounts of the Group Companies as at 31 March 2013, which are to be in the Agreed Form;

“**Companies**” means together VLO Development Corporation and VFC Development Corporation, details of which are set out in Paragraph 1 of Schedule 1, and “**Company**” means any one of them;

“**Companies’ Audited Accounts**” means the accounts of each of the Companies drawn up to the Accounts Date and audited by an accounting firm agreed (acting reasonably) between the Parties, which accounting firm shall be PricewaterhouseCoopers, Deloitte Touche Tohmatsu, Ernst & Young or KPMG;

“**Deeds of Waiver**” means the deeds of waiver in the agreed form attached to this Agreement as Exhibit B to be delivered in accordance with Clause 5.3, if applicable;

“**Deposit**” means the sum of the Initial Deposit and the Further Deposit;

“**Despatch**” has the meaning given to it in Schedule 2;

“**Disclosure Documents**” means the documents listed in the appendix to the Disclosure Letter;

“**Disclosure Letter**” means the letter dated on the same date as this Agreement from the Seller to the Purchaser (together with all the documents and information deemed to be included therein pursuant to its terms) disclosing:

- (i) information constituting exceptions to the Seller’s Warranties; and
- (ii) details of other matters referred to in this Agreement;

“**Encumbrance**” means any claim, charge, mortgage, lien, pledge, restriction, option, equity, power of sale, hypothecation, usufruct, retention of title, right of pre-emption, right of first refusal or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing;

“**Escrow Agent**” means Deutsche Bank National Trust Company of 1761 E. St Andrew Place, Santa Ana, California 92705 USA or any other escrow agent as agreed by the Parties (acting reasonably);

“**Escrow Agreement**” means an escrow agreement between the Seller, the Purchaser and the

Escrow Agent;

“**Escrow Amount**” means US\$13,140,000;

“**Extension Payment**” means any extension payment actually made by the Purchaser to extend the date of Closing pursuant to Clause 4.4.2;

“**First Notice Period**” has the meaning ascribed to it in Clause 4.3.9;

“**Fundamental Warranty**” means, in respect of the Seller, the Seller’s Warranties given in accordance with Clauses 5 and 6, as set out in Paragraphs 1.1.1 to 1.1.11, 4.2 and 12 of Schedule 4 and, in respect of the Purchaser, the Purchaser’s Warranties given in accordance with Clauses 5 and 6, as set out in Paragraphs 1.1, 1.2 and 2 of Schedule 5;

“**Further Deposit**” means US\$43,800,000;

“**Further Deposit Payment Condition**” means the provision of the Letter of Comfort;

“**Further Deposit Payment Date**” means the later of: (i) one (1) Business Day from written notice from the Seller confirming receipt of the Initial Deposit; and (ii) the occurrence of the Further Deposit Payment Condition;

“**Group**” means the Group Companies, taken as a whole;

“**Group Companies**” means the Companies and the Subsidiaries and “**Group Company**” means any one of them;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the PRC;

“**Initial Deposit**” means US\$21,900,000;

“**Initial Deposit Payment Date**” means two (2) Business Days from the date of this Agreement;

“**Insurance Policies**” mean the existing insurance policies for the benefit of the Subsidiaries at the date of this Agreement and “**Insurance Policy**” shall mean any of them;

“**Letter of Comfort**” means a letter of comfort issued by the Seller to the Purchaser in the Agreed Form;

“**Long Stop Date**” means 120 days from the date of this Agreement;

“**Losses**” means all losses, liabilities, costs (including legal costs and experts’ and consultants’ fees), charges, expenses, actions, proceedings, claims and demands;

“**Macau**” means the Macau Special Administrative Region of the PRC;

“**Material Adverse Effect**” means, other than as may be disclosed in this Agreement or the Disclosure Letter or contained in the Disclosure Documents, any change, event, fact, variation, circumstance or development arising after the date of this Agreement and prior to Closing that, individually or in the aggregate, has had, or would reasonably be expected to have, a material adverse effect or material impairment on: (i) the business, assets (but not the Property), liabilities, operations, condition (financial or otherwise) or results of operations of the Group Companies, taken as a whole, provided that such effect or impairment equates to a quantifiable monetary amount of equal to or more than twenty-five per cent. (25%) of the Purchase Price, and/or (ii) title to or ownership of the Shares, the Subsidiaries’ Shares or the Property, or the ability of the Purchaser to use the Property as stipulated under the Dispatch;

“**MOP\$**” means Macau patacas, the lawful currency of Macau;

“**Operational Liabilities**” means the liabilities incurred in the operation of the businesses of the Group Companies owed by the Group Companies to third parties other than (i) any members of the

Caesars Group or (ii) any Group Companies;

“**Ou Toi**” means Ou Toi Investment Company Limited, details of which are set out in Paragraph 2 of Schedule 1;

“**PRC**” means the People’s Republic of China;

“**Property**” means the property set out in Schedule 2;

“**Purchase Price**” means the actual consideration for the sale of the Shares paid by the Purchaser as set forth in Clause 3.1, as may be adjusted in accordance with Clause 4.9;

“**Purchaser’s Account**” means the bank account of the Purchaser at Banco Weng Hang S.A., 241 Avenida de Almeida Ribeiro, Macau, SWIFT WIHBMOMX, account number 319669-001;

“**Purchaser’s Warranties**” means the warranties and representations given by the Purchaser in accordance with Clause 5.4 and Schedule 5 and “**Purchaser’s Warranty**” means any one of them;

“**Relevant Employees**” means those employees of the Group Companies who are immediately prior to the date of this Agreement employed in the Group (other than any specifically excluded by agreement with the Purchasers) and “**Relevant Employee**” means any one of them;

“**Second Notice**” has the meaning ascribed to it in Clause 4.3.10;

“**Second Notice Period**” has the meaning ascribed to it in Clause 4.3.9;

“**Seller’s Account**” means the bank account of the Seller at Bank of America, New York, SWIFT BOFAUS3N, ABA 026009593, account number 000990104564;

“**Seller’s Warranties**” means the warranties and representations given by the Seller in accordance with Clause 5 and Schedule 4 and “**Seller’s Warranty**” means any one of them;

“**Shares**” means all the fully paid ordinary shares comprising the entire issued share capital of each of the Companies, details of which are set out in Paragraph 1 of Schedule 1;

“**Subsidiaries**” means the companies listed in Paragraph 2 of Schedule 1 and “**Subsidiary**” means any one of them;

“**Subsidiaries’ Shares**” means all the fully paid ordinary shares comprising the entire issued share capital of each of the Subsidiaries, details of which are set out in Paragraph 2 of Schedule 1;

“**Taxation**” or “**Tax**” means all forms of taxation (including deferred taxation) whether direct or indirect and whether levied by reference to income, profits, gains, net wealth, asset values, turnover, added value or other reference and statutory, governmental, state, provincial, local governmental or municipal impositions, duties, contributions, rates and levies (including social security contributions, mandatory provident fund payments and any other payroll taxes), whenever and wherever imposed (whether imposed by way of a withholding or deduction for or on account of tax or otherwise) and in respect of any person and all penalties, charges, costs and interest relating thereto;

“**Tax Authority**” means any taxing or other authority competent to impose any liability in respect of Taxation or responsible for the administration and/or collection of Taxation or enforcement of any law in relation to Taxation;

“**Tax Indemnity**” has the meaning ascribed to it in Clause 6.4.1;

“**Third Party**” means any person (including any governmental authority) but excluding each of Caesars Entertainment Corporation and its direct and indirect controlled subsidiaries and controlling shareholders and stockholders;

**“Termination Fundamental Warranties”** means the Seller’s Warranties given in accordance with Clauses 5 and 6, as set out in Paragraphs 1.1.1, 1.1.2, 1.1.3, 1.1.4, 4.2.1, 4.2.2, 4.2.3, 4.2.5, 4.2.6, 4.2.9, 4.2.10 and 4.2.11 of Schedule 4;

**“Unaudited Accounts Warranty Breach”** has the meaning ascribed to it in Clause 4.3.7(i);

**“Undisclosed Caesars Group Liabilities”** means any Caesars Group Liabilities that are discovered in the Agreed Closing Management Accounts which are not reflected as a Caesars Group Liability in the Closing Management Accounts;

**“US\$”** means United States dollars, the lawful currency of the United States of America;

**“Warranties”** means the Seller’s Warranties and the Purchaser’s Warranties and **“Warranty”** means any one of them; and

**“Working Capital”** means current assets less current Operational Liabilities, in each case as calculated on a basis consistent with the preparation of the Accounts.

## **1.2 Shares**

References to **“shares”** include, where relevant, quotas.

## **1.3 Singular, plural, gender**

References to one gender include all genders and references to the singular include the plural and vice versa.

## **1.4 References to persons and companies**

References to:

**1.4.1** a person include any natural person, company, partnership, proprietorship, joint venture, firm, trust, fund, union, government, statutory or public authority, or any entity or incorporated or unincorporated organization or association (whether or not having separate legal personality); and

**1.4.2** a company include any company, corporation or any body corporate, wherever incorporated.

## **1.5 References to subsidiaries and holding companies**

A company is a **“subsidiary”** of another company (its **“holding company”**) if that other company, directly or indirectly, through one or more subsidiaries:

**1.5.1** holds a majority of the voting rights in it;

**1.5.2** is a member or shareholder of it and has the right to appoint or remove a majority of its board of directors or equivalent managing body;

**1.5.3** is a member or shareholder of it and controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in it; or

**1.5.4** has the right to exercise a dominant influence over it, for example by having the power to give, or by actually giving, directions with respect to its operating and financial policies, with which its directors are obliged to comply.

## **1.6 References to including**

The expressions **“including”** or **“includes”** mean including or includes without limitation.

## **1.7 References to accounts**

References to **“accounts”** mean relevant balance sheets and profit and loss accounts.

## **1.8 Modification etc. of Statutes**

References to a statute or statutory provision include:

1.8.1 that statute or provision as from time to time modified, re-enacted or consolidated whether before or after the date of this Agreement;

1.8.2 any past statute or statutory provision (as from time to time modified, re-enacted or consolidated) which that statute or provision has directly or indirectly replaced; and

1.8.3 any subordinate legislation made from time to time under that statute or statutory provision.

## 1.9 Headings

Headings shall be ignored in interpreting this Agreement.

## 1.10 Schedules etc.

References to this Agreement shall include any Recitals and Schedules to it and references to Clauses and Schedules are to clauses of, and schedules to, this Agreement. References to Paragraphs and Parts are to paragraphs and parts of the Schedules.

## 1.11 Information

References to books, records or other information mean books, records or other information in any form including paper, electronically stored data, magnetic media, film and microfilm.

## 1.12 Legal terms

References to any Hong Kong legal term shall, in respect of any jurisdiction other than Hong Kong, be construed as references to the term or concept which most nearly corresponds to it in that jurisdiction.

## 2 Agreement to sell the Shares

2.1.1 On and subject to the terms of this Agreement, the Seller agrees to sell, and the Purchaser agrees to purchase, the Shares.

2.1.2 The Shares shall be sold free from Encumbrances and together with all rights and advantages attaching to them as at Closing (including the right to receive all dividends or distributions declared, made or paid on or after Closing).

2.1.3 The Seller shall procure that on or prior to Closing any and all rights of pre-emption over the Shares and the Subsidiaries' Shares are waived irrevocably by the persons entitled thereto.

## 3 Consideration

### 3.1 Amount

The consideration for the purchase of the Shares under this Agreement shall, subject to Clause 4.9, be an aggregate amount of the following amounts:

3.1.1 the Deposit;

3.1.2 any Extension Payment; and

3.1.3 the Closing Amount.

### 3.2 Purchaser acknowledgement

The Purchaser acknowledges that the consideration for the purchase of the Shares under this Agreement has been determined on the basis that the Property is a golf course situated on a landfill site. The Purchaser acknowledges that further actions may be required to use the Property for any purpose other than a golf course as currently operated, at further costs to the Purchaser, and such costs will not be the basis for any adjustment to the consideration paid by the Purchaser under this Agreement.

### **3.3 Reduction of consideration**

If any payment is made by the Seller to the Purchaser in respect of any claim for any breach of this Agreement (or any agreement entered into under this Agreement), the payment shall be made by way of a deemed adjustment of the consideration paid by the Purchaser under this Agreement and the consideration shall be deemed to have been reduced by the amount of such payment provided that nothing herein contained shall in any way prejudice the obligation of the Purchaser to pay the consideration in accordance with Clause 3.1.

## **4 Signing, Closing and post-Closing**

### **4.1 Signing obligations**

On the date of this Agreement:

4.1.3 the Seller shall deliver or make available to the Purchaser or as the Purchaser may reasonably direct evidence that the Seller is authorised to execute and perform this Agreement; and

4.1.4 the Purchaser shall deliver or make available to the Seller or as the Seller may reasonably direct evidence that the Purchaser is authorised to execute and perform this Agreement.

### **4.2 Payment of Deposit**

4.2.5 On or before the Initial Deposit Payment Date, the Purchaser shall pay the Initial Deposit to the Seller to the Seller's Account by way of telegraphic transfer or other electronic means for same day value.

4.2.6 On or before the Further Deposit Payment Date, the Purchaser shall pay the Further Deposit to the Seller to the Seller's Account by way of telegraphic transfer or other electronic means for same day value.

### **4.3 Pre-Closing obligations**

4.3.1 The Seller shall procure that between the date of this Agreement and Closing, except as may be required to comply with any applicable law and/or to give effect to or comply with this Agreement, no Group Company will do or agree (conditionally or unconditionally) to do any of the following without the prior written consent of the Purchaser (acting reasonably):

- (i) enter into any material contract or other material arrangement if such proposed contract or other arrangement is not: (a) on arm's length terms or otherwise contains unusual and onerous terms, or is not in the ordinary and usual course of the business of the Group Company concerned; and (b) is for a value equal to or more than US\$50,000 for such individual contract or arrangement;
- (ii) materially breach any of the terms of any material contract or material arrangements to which the Group Companies are a party and fail to cure such breach prior to Closing;
- (iii) terminate any senior employee or service or management contracts relating to the Property or the business of the Group Companies, other than in the ordinary or usual course of business;
- (iv) grant or agree to grant any new memberships to Caesars Golf for a term of more than two (2) years and in any event not more than 25 memberships in aggregate;
- (v) make any material change in the nature or scope of its business;
- (vi) acquire or form any subsidiary or acquire any shares in any company or acquire the whole or any substantial part of the undertaking, assets or business of any

other person or enter into any joint venture or partnership with any other person;

- (vii) merge or amalgamate or agree to merge or amalgamate its business with any other company;
- (viii) enter into any scheme of arrangement with creditors;
- (ix) make any loans to any person in excess of US\$25,000, other than in the ordinary or usual course of business, but in any event not in excess of US\$100,000 in aggregate;
- (x) obtain from any person further borrowings in excess of US\$25,000, other than in the ordinary or usual course of business, but in any event not in excess of US\$100,000 in aggregate;
- (xi) incur any individual debts or liabilities, other than individual debts or liabilities of value less than US\$500,000 and incurred in the ordinary or usual course of business of the Group Companies, but in any event not in excess of US\$3,000,000 in aggregate;
- (xii) enter into any guarantee, indemnity or surety in excess of US\$100,000;
- (xiii) acquire or dispose of, or create any Encumbrance over or enter into an agreement to do the same in relation to the Property (or any part thereof), the Shares or the Subsidiaries' Shares, other than pursuant to a refinancing of debt of the Seller or its holding company which is consistent with and on substantially the same terms as the existing fixed and floating lien over the Shares and assets of the Group arising from the existing debt facilities of the Seller and which would not affect the ability of the Seller to sell the Shares and the Subsidiaries' Shares free from Encumbrances at Closing in accordance with Clause 2.1.2, provided that the Seller shall notify the Purchaser of any such refinancing by the Seller or its holding company (as the case may be);
- (xiv) alter the provisions of its memorandum or articles of association (or equivalent constitutional documents);
- (xv) initiate any material litigation or arbitration proceedings relating to the Property, the Shares or the Subsidiaries' Shares;
- (xvi) compromise, settle, release, discharge or compound litigation or arbitration proceedings or a liability, claim, action, demand or dispute, or waive a right in relation to litigation or arbitration proceedings, except in the ordinary or usual course of its business;
- (xvii) cancel or fail to renew by the due date the Insurance Policies or do or omit to do anything within the Seller's control to render the Insurance Policies all or in part void or voidable;
- (xviii) make any changes to the Insurance Policies or intentionally do anything to cause a breach of any Insurance Policy;
- (xix) increase or agree to increase the remuneration (including salary, bonuses, commissions, profits in kind and pension contributions) of any of its directors or Relevant Employees by an amount in excess of 40% of current salary per annum; or vary the terms of employment of or dismiss any Relevant Employee or engage any new employee, in each case other than in the ordinary or usual course of business; or agree to provide any gratuitous payment or benefit to any person in excess of US\$50,000 per annum; and in any event not in excess of US\$200,000 in

aggregate for all of the above;

- (xx) other than in the ordinary or usual course of business, acquire or agree to acquire or dispose of or agree to dispose of any asset or enter into or amend any contract or arrangement, in each case, involving consideration, expenditure or liabilities in excess of US\$100,000;
- (xxi) make any change to its accounting practices or policies, other than in connection with the satisfaction of the Seller's obligation in Clause 4.5.2, in which case the Seller shall notify the Purchaser in writing;
- (xxii) reduce or increase its authorized or issued share capital, other than in connection with the satisfaction of the Seller's obligation in Clause 4.5.2, in which case the Seller shall notify the Purchaser in writing;
- (xxiii) declare or issue any dividends or make any gifts or similar payments or distributions to any person, except in the ordinary or usual course of business, and other than dividends or distributions to such Group Company's shareholders or ultimate beneficial holders;
- (xxiv) with respect to each Group Company's share capital, create, allot or issue any shares, loan capital, securities convertible into shares or any option or right to subscribe in respect of any shares, loan capital or securities convertible into shares, other than in connection with the satisfaction of the Seller's obligation in Clause 4.5.2, in which case the Seller shall notify the Purchaser in writing;
- (xxv) wilfully and materially change in an adverse manner the condition of the main buildings on the Property (causality, fair wear and tear excepted); or
- (xxvi) apply for any change of the use of the Property to a use other than that permitted under the Despatch and the land concession contract annexed to it.

**4.3.2** Notwithstanding Clause 4.3.1, the Purchaser acknowledges that the Seller and/or any of the Group Companies may, between the date of this Agreement and Closing, take such actions as are necessary or desirable to obtain the required permits and approvals for the existing development at the Property as at the date of this Agreement and/or convert the title of the Property from provisional title to definitive title, provided that (i) the Seller shall consult with the Purchaser in respect of all such actions, and (ii) the Seller does not reasonably expect such actions to be detrimental to the continued use of the Property as a golf course. In the event that such actions are taken, they shall be deemed to not breach the Seller's obligation in Clause 4.3.1(xxvi).

**4.3.3** The Seller shall procure that, between the date of this Agreement and Closing:

- (i) all Insurance Policies are maintained in all material respects on the same terms and with similar levels of cover prevailing at the date of this Agreement;
- (ii) each Group Company shall duly make any insurance claims in accordance with the terms of the applicable Insurance Policies;
- (iii) no Group Company shall, without the prior written consent of the Purchaser (such consent not to be unreasonably withheld), settle any insurance claim made by or on behalf of such Group Company materially below the amount claimed; and
- (iv) any proceeds of liability insurance paid under any Insurance Policy are applied towards settling all claims against the Group Companies arising from the circumstances entitling the Group Companies to such proceeds and any proceeds of insurance against damage, loss or destruction of the Property are applied



towards repairing, reinstating or replacing the damaged, lost or destroyed Property.

**4.3.4**The Seller shall, between the date of this Agreement and Closing:

- (i) promptly notify in writing to the Purchaser any event or circumstance which, to the best of the Seller's knowledge, information and belief, would be a breach of Clauses 4.3.1 or 4.3.3 or a breach of the Termination Fundamental Warranties;
- (ii) promptly notify in writing to the Purchaser any event or circumstance which, to the best of the Seller's knowledge, information and belief, would constitute a material breach of any of the Seller's Warranties at Closing and for the avoidance of doubt, such notification shall not constitute a disclosure in relation to any Warranty or qualify as disclosed under Clause 5.2;
- (iii) use its best endeavours to remedy any breaches of Clauses 4.3.1 and/or 4.3.3 and/or any breaches of the Termination Fundamental Warranties; and
- (iv) cooperate with the Purchaser in relation to the sale of the Shares and the Property in accordance with this Agreement and accommodate any reasonable requests for assistance by the Purchaser.

**4.3.5**After receipt of the Initial Deposit, subject to Clause 4.3.6, the Seller shall, and shall procure that its directors and officers and each of Caesars Entertainment Corporation and its direct and indirect controlled subsidiaries and controlling shareholders and stockholders and their respective directors and officers shall, between the date of this Agreement and the earlier of (a) the date of Closing and (b) the date of termination of this Agreement:

- (i) not enter into or be involved in any discussions or negotiations with any potential buyer or its representative in connection with the sale of the Shares or the Property as contemplated under this Agreement (other than the Purchaser and its representatives);
- (ii) suspend all discussions or other contact with third persons (other than the Purchaser) relating to the sale of the Shares or the Property as contemplated under this Agreement and not make available any further confidential information relating to sale of the Shares or the Property to such third persons;
- (iii) not solicit or initiate any approach, proposal or offer, enter into discussions or negotiations, or enter into any agreement or arrangement, from or with any person (other than the Purchaser) for the purpose of securing an offer for the whole or any material part of the business and assets of the Group Companies, including the Property, or create any Encumbrance over the Shares, the Property or any of the Group Companies themselves,

in each case, if such prohibited action would likely result in a transaction taking place which is similar to, or would likely preclude or materially restrict or delay, Closing.

**4.3.6**Clause 4.3.5 shall not apply to any action or omission which, in the opinion of the directors of the Seller or their legal counsel, is required by virtue of their fiduciary duties, applicable law, any regulatory body or the rules and regulations of any recognized stock exchange on which the shares of Seller or any holding company of Seller are listed or quoted.

**4.3.7**The Seller and the Purchaser shall each use all reasonable endeavours to procure that, between the date of this Agreement and Closing, the Escrow Agreement is executed, on terms mutually agreeable to each of the Seller and the Purchaser, acting reasonably, including:

- (i) that the Escrow Amount is paid on Closing by the Purchaser to the Escrow Agent to be held by the Escrow Agent as security against any claims brought by the Purchaser under the terms of this Agreement for any breach of the Seller's Warranties at Paragraphs 2.1.1 and 2.1.2 of Schedule 4 in so far as those Seller's Warranties relate to the liabilities shown in the unaudited 31 December 2012 Accounts in respect of the Companies ("**Unaudited Accounts Warranty Breach**"), the purpose being to provide an escrowed amount as security for a limited period of time to allow the Purchaser to complete the Companies' Audited Accounts following Closing and identify whether any breach of such Seller's Warranties as relates to the liabilities shown in the unaudited 31 December 2012 Accounts of the Companies versus the liabilities shown in the Companies' Audited Accounts has occurred, and to commence a claim if the Purchaser (acting reasonably) believes that there has been such a breach; and
- (ii) that the Escrow Amount shall be released to the Seller on the earlier of (a) thirty (30) days after the Companies' Audited Accounts are completed, or (b) 210 days after the date of Closing, in each case provided always that any portion of the Escrow Amount which is the subject of a claim for any Unaudited Accounts Warranty Breach at such time shall not be released to the Seller until such claim is determined or lapses in accordance with the terms of this Agreement, and to the extent such claim is determined in favour of the Purchaser in accordance with the terms of this Agreement, such portion of the Escrow Amount as is necessary to satisfy such claim shall be duly released to the Purchaser, and the balance (if any) shall be duly released to the Seller.

4.3.8 On or before the date that is five (5) Business Days before Closing, the Seller shall deliver to the Purchaser, or as the Purchaser may direct in writing acting reasonably, the Closing Management Accounts.

4.3.9 Upon written request from the Purchaser given to the Seller within fifteen (15) to five (5) Business Days (in each case inclusive) before the commencement of any of the following periods, the Seller shall, (x) during the period nineteen (19) to sixteen (16) Business Days (in each case inclusive) before the date of Closing (as extended if applicable by Clause 4.4) ("**First Notice Period**") and (y) during the period four (4) Business Days before the date of Closing (as extended if applicable by Clause 4.4) until one (1) Business Day before the date of Closing (in each case inclusive) (as extended if applicable by Clause 4.4) ("**Second Notice Period**"), provide the Purchaser with a written notice either:

- (i) confirming that so far as the Seller is aware, none of the following circumstances apply at the time the notice is given:
  - (a) there is an anticipated or actual breach of compliance or failure by the Seller to comply with Clause 4.3.1(xxvi);
  - (b) there is an anticipated or actual breach of compliance or failure by the Seller to comply with Clause 4.3.8;
  - (c) there is an anticipated or actual breach of compliance or failure by the Seller to comply with Paragraphs 1.1 and 1.2 of Schedule 3;
  - (d) there is an anticipated or actual breach of any of the Termination Fundamental Warranties where such breach would result in a Material Adverse Effect; or
  - (e) there is an anticipated or actual occurrence of any of the circumstances listed in Clause 4.7.6(a) to (c); or

- (ii) where so far as the Seller is aware one or more of the circumstances in Clauses 4.3.9(i)(a) to 4.3.9(i)(e) do apply, then giving full details in the notice of all actual or anticipated breaches or failures.

**4.3.10** In the event that the Seller provides a notice to the Purchaser during the Second Notice Period in accordance with Clause 4.3.9 ("Second Notice") and between the time of the Second Notice and Closing the Seller becomes aware, acting reasonably, of the occurrence of any of the circumstances in Clauses 4.3.9(i)(a) to 4.3.9(i)(e), the Seller shall notify the Purchaser in writing as soon as it is aware of such occurrence.

#### **4.4 Date and place of Closing**

**4.4.1** Subject to Clause 4.4.2, Closing shall take place at 11.00 a.m. at the office of Jorge Neto Valente Advogados, 555 Avenida da Amizade, Macau Landmark Building, 15/F ICBC Tower, Macau on the date that is ninety (90) days from the date of this Agreement, or at such other place and time as may be agreed by the Seller and the Purchaser in writing. For the avoidance of doubt, the Purchaser may request an earlier date of Closing and the Seller shall promptly consider such request in good faith.

**4.4.2** The Purchaser may on no more than one (1) occasion unilaterally extend the date of Closing by thirty (30) days from the date of Closing referred to in Clause 4.4.1 by:

- (v) giving written notice to the Seller of its intention to do so no later than fifteen (15) Business Days before the date on which Closing was to occur; and
- (vi) paying the Seller US\$8,000,000 to the Seller's Account by way of telegraphic transfer or other electronic means for same day value which shall be payable no later than the first Business Day of the extended month.

**4.4.3** The Purchaser shall not be entitled to extend the date of Closing in accordance with Clause 4.4.2 more than once and in any event, Closing shall take place no later than the Long Stop Date. If any date for Closing as provided for under Clauses 4.4.1 or 4.4.2 falls on a day that is not a Business Day, Closing will be deferred to the next Business Day.

**4.4.4** Any Extension Payment shall be deemed to increase the Purchase Price by the amount of such payment and shall be treated accordingly.

#### **4.5 Closing obligations**

**4.5.1** On Closing the Seller shall comply with its obligations specified in paragraphs 1.1 to 1.2 of Schedule 3 and shall comply in all material respects with its obligations specified in paragraphs 1.3 to 1.21 of Schedule 3.

**4.5.2** On or before Closing the Seller shall procure the full and final satisfaction of all the Caesars Group Liabilities.

**4.5.3** Notwithstanding Clause 4.5.2, if any Caesars Group Liabilities will be outstanding at Closing, on or before Closing the Seller shall:

- (i) assign any such outstanding Caesars Group Liabilities of the Subsidiaries to the Companies; and
- (ii) procure entry by the relevant Caesars Group company of the relevant Deed of Waiver.

#### **4.6 Payment on Closing**

On Closing the Purchaser shall pay:

**4.6.1** if the Escrow Agreement has been signed, the Escrow Amount to the Escrow Agent in accordance with the Escrow Agreement, and the remainder of the Closing Amount to the

Seller by paying to the Seller's Account by way of telegraphic transfer or other electronic means for same day value; or

4.6.2 if the Escrow Agreement has not been signed, the Closing Amount to the Seller by paying to the Seller's Account by way of telegraphic transfer or other electronic means for same day value.

#### **4.7 Termination on or before Closing**

4.7.1 The sole right of the Parties to terminate this Agreement (save in each case for Clauses 1, 8 and 9.2 to 9.14, which shall survive termination), and the consequences related thereto, are set out in this Clause 4.7. Each Party's further rights and obligations cease immediately on termination, but termination does not affect a Party's accrued rights and obligations at the date of termination.

4.7.2 Provided that this Agreement has not already been terminated in accordance with this Clause 4.7, if the Purchaser has not paid both the Initial Deposit and the Further Deposit in accordance with Clauses 4.2.1 and 4.2.2, the Seller shall be entitled by notice in writing to terminate this Agreement without liability on its part and forfeit absolutely and retain for its own account any part of the Deposit that has been paid to it by the Purchaser.

4.7.3 Provided that this Agreement has not already been terminated in accordance with this Clause 4.7, if at any time the Compliance Committee of Caesars Entertainment Corporation determines, in its reasonable discretion, that its association with the Purchaser, including any of its shareholders, officers, directors or any other person associated with the Purchaser (including the Capital Provider, as defined in Clause 7.1.1), may violate any applicable statutes or regulations regarding prohibited relationships, or that a continued relationship with the Purchaser, including any shareholders, officers, directors or affiliates of the Purchaser (including the Capital Provider) would reasonably be anticipated to result in the loss of, inability to reinstate, or failure to obtain any registration, application or license or any other rights or entitlements held by the Seller or any of its affiliates under any applicable laws relating to gaming or gaming activities, the Seller must provide the Purchaser with written notice of such determination and its basis and a reasonable time period in which to cure or rectify the circumstances leading to such determination, if they are able to be cured or rectified. If the circumstances are not cured or rectified or if by their nature they are not able to be cured or rectified within the time period, the Seller may immediately terminate this Agreement by giving written notice to the Purchaser, and the Seller shall have no further liability to the Purchaser whatsoever, provided that the Seller shall, within ten (10) Business Days of such termination, refund to the Purchaser the Deposit and any Extension Payment.

4.7.4 Provided that this Agreement has not already been terminated in accordance with this Clause 4.7, if at any time a gaming regulatory authority renders a determination disapproving the terms of this Agreement or that the Purchaser or any of its shareholders, officers, directors, or any other person associated with the Purchaser (including the Capital Provider) is unsuitable, the Seller may immediately terminate this Agreement by giving written notice to the Purchaser, and the Seller shall have no further liability to the Purchaser whatsoever, provided that the Seller shall, within ten (10) Business Days of such termination, refund to the Purchaser the Deposit and any Extension Payment.

4.7.5 Provided that this Agreement has not already been terminated in accordance with this Clause 4.7, if:

- (a) the Seller fails to comply with Clause 4.3.1(xxvi) (other than as provided for in Clause 4.3.2);

- (b) the Seller fails to comply with Clause 4.3.8;
- (c) the Seller fails to comply with Paragraphs 1.1 and 1.2 of Schedule 3; or
- (d) there is a breach of any of the Termination Fundamental Warranties where such breach would result in a Material Adverse Effect,

then:

(i) the Purchaser may by notice in writing to the Seller set a new date for Closing (being not more than twenty (20) Business Days after the agreed date for Closing) to enable the Seller to remedy any breaches of the Seller's obligations set out in Clauses 4.7.5(a), (b), (c) or (d) (as applicable), in which case the provisions of Clauses 4.5 and 4.6 shall apply to Closing as so deferred, but provided such deferral may only occur once. For the avoidance of doubt, the Purchaser's election to set a new date for Closing shall not constitute any waiver of its rights or acceptance of any breach nor release the Seller from fulfilling its obligations under this Agreement; and/or

(ii) the Purchaser shall be entitled by notice in writing to the Seller to terminate this Agreement (whether or not the Purchaser elects to set a new date for Closing), in which case:

(A) where the failure or breach by the Seller is a failure or breach that is due to an action, omission or circumstance that is within the Seller's direct control (and is not described in clause 4.7.5(ii)(B)(y) below), the Seller shall, within ten (10) Business Days of such termination:

(I) (in the case of an event described in Clauses 4.7.5(a), (b) or (c)), pay (or refund as applicable) to the Purchaser's Account an amount equal to the aggregate of:

- (1) the Deposit;
- (2) US\$43,800,000; and
- (3) any Extension Payment; or

(II) (in the case of an event described in Clause 4.7.5(d)), pay (or refund as applicable) to the Purchaser's Account an amount equal to the aggregate of:

- (1) the Deposit;
- (2) US\$21,900,000; and

(3) any Extension Payment if the proviso at the end

of this Clause 4.7.5 applies;

OR

(B) where the failure or breach by the Seller is a failure or breach that: (x) is due to an action, omission or circumstance that is outside the Seller's direct control; or (y) is a direct or indirect consequence of an action or omission by a Third Party (regardless of what prompted such action or omission), then the Seller shall, within ten (10) Business Days of such termination, pay (or refund as applicable) to the Purchaser's Account an amount equal to the aggregate of:

(1) the Deposit;

(2) an amount equal to the reasonable legal and financing costs and expenses actually incurred by the Purchaser in connection with the transactions contemplated under this Agreement, invoices of which are to be provided to the Seller (subject to a maximum cap of US\$1,000,000); and

(3) any Extension Payment if the proviso at the end of this Clause

4.7.5 applies,

provided that the Seller shall only be required to refund to the Purchaser any Extension Payment pursuant: to (a) Clause 4.7.5(ii)(A)(II) if an event described in Clause 4.7.5(d) occurred; and (b) Clause 4.7.5(ii)(B) if an event described in Clause 4.7.5(a) to (d) occurred prior to the date of Closing, unless any such event has been notified by the Seller to the Purchaser pursuant to Clause 4.3.9 before any Extension Payment is made, in which case such Extension Payment will not be refunded to the Purchaser.

All payments (and refunds as applicable) under Clauses 4.7.5(ii)(A) and 4.7.5(ii)(B) shall be treated as a payment of damages in full and final satisfaction of any and all liabilities owed by the Parties to each other arising out of or in connection with this Agreement.

**4.7.6** Provided that this Agreement has not already been terminated in accordance with this Clause 4.7, if due to any breaches of any applicable anti-corruption laws (a) Ou Toi no longer has the lease rights to the Property; (b) the Group Companies receive any written decision from any competent government authority to pursue steps to be taken by any competent government authority to avoid, suspend, cancel or terminate the land concession contract annexed to the Despatch; or (c) the government exercises its power of re-entry and takes possession of the Property or resumption of the Property occurs, then:

(i) the Purchaser may by notice in writing to the Seller set a new date for Closing (being not more than twenty (20) Business Days after the agreed date for Closing) to enable the Seller to remedy such breach, in which case the provisions of Clauses 4.5 and 4.6 shall apply to Closing as so deferred, but provided such deferral may only occur once. For the avoidance of doubt, the Purchaser's election to set a new date for Closing shall not constitute any waiver of its rights or acceptance of any breach nor release the Seller from fulfilling its obligations under this Agreement; and/or

(ii) the Purchaser shall be entitled by notice in writing to the Seller to terminate this Agreement (whether or not the Purchaser elects to set a new date for Closing), in which case, the Seller shall, within ten (10) Business Days of such termination, refund to the Purchaser's Account the Deposit (but not any Extension Payment). Such payment shall be treated as a payment of damages in full and final satisfaction of any and all liabilities owed by the Seller to the Purchaser arising out of or in connection with this Agreement.

4.7.7 Provided that this Agreement has not already been terminated in accordance with this Clause 4.7, if the Purchaser fails to comply with Clause 4.6:

- (i) the Seller may by notice in writing to the Purchaser set a new date for Closing (being not more than twenty (20) Business Days after the agreed date for Closing), in which case the provisions of Clauses 4.5 and 4.6 shall apply to Closing as so deferred, but provided such deferral may only occur once. For the avoidance of doubt, the Seller's election to set a new date for Closing shall not constitute any waiver of its rights or acceptance of any breach nor release the Purchaser from fulfilling its obligations under this Agreement; and/or
- (ii) the Seller shall be entitled by notice in writing to the Purchaser to terminate this Agreement, in which case the Seller shall be entitled to forfeit absolutely and retain for its own account out of the Deposit an amount equal to the aggregate of US\$43,800,000 plus any Extension Payment. Such forfeiture shall be treated as a payment of damages in full and final satisfaction of any and all liabilities owed by the Purchaser to the Seller arising out of or in connection with this Agreement. The Seller shall, within ten (10) Business Days of such termination, refund to the Purchaser the remainder of the Deposit. Such payment shall be treated as a payment of damages in full and final satisfaction of any and all liabilities owed by the Seller to the Purchaser arising out of or in connection with this Agreement.

#### **4.8 Post-Closing obligations**

4.8.1 The Purchaser agrees that within sixty (60) Business Days of Closing, the Purchaser and its subsidiaries (including the Group Companies):

- (i) shall cease and discontinue all uses of the "Caesars" name and marks, either alone or in combination with other words, and all names and marks similar to any of the foregoing or embodying any of the foregoing, either alone or in combination with other words; and
- (ii) shall not expressly, or by implication, do business as, or represent themselves as, any member of the Caesars group, and shall use all reasonable efforts to ensure that there is no confusion as to the fact that the Property is no longer affiliated with the Caesars group.

4.8.2 The Seller agrees that for the period ending on the earlier of the Purchaser and its subsidiaries ceasing and discontinuing all uses of the "Caesars" names and marks and sixty (60) Business Days after the date of Closing, it shall indemnify the Purchaser and its subsidiaries from and against any liability arising as a result of the use of the "Caesars" names and marks by the Purchaser or its subsidiaries during that period.

4.8.3 The Seller agrees to cooperate with the Purchaser after Closing and to undertake such actions within its power as is reasonably practicable to:

- (i)fulfil, to the extent not carried out, the Seller's obligations under Clauses 4.3.4(iii) and 4.5;
- (ii)have the Companies' Audited Accounts prepared; and
- (iii)clear any Undisclosed Caesars Group Liabilities.

#### 4.9 Post-Closing payments

- 4.9.1 The Purchaser may perform an audit of the Closing Management Accounts at its own cost after Closing and notify the Seller if there is any objection to the Closing Management Accounts (and the calculation of Working Capital derived therefrom) within 180 days after Closing. The accounting firm conducting such audit shall be agreed between the Parties (acting reasonably), and shall be PricewaterhouseCoopers, Deloitte Touche Tohmatsu, Ernst & Young or KPMG. If no such notice is given by the Purchaser, the Closing Management Accounts shall be deemed to be conclusive and binding on the Parties for the purposes of this Agreement. If the Purchaser does deliver a notice of objection to the Seller, the Parties shall use their best commercial endeavours to promptly resolve any objections raised and confirm in writing between them the agreed closing management accounts within fifteen (15) Business Days after the Seller's receipt of the Purchaser's notice of objection. If the Parties are unable to agree the closing management accounts within fifteen (15) Business Days after the receipt by the Seller of the notice of objection from the Purchaser, the Parties shall as soon as reasonably practicable jointly appoint an international professional accounting firm other than the accounting firm who conducted the initial audit on behalf of the Purchaser but provided that such international professional accounting firm shall still be PricewaterhouseCoopers, Deloitte Touche Tohmatsu, Ernst & Young or KPMG, to make a determination in relation to the items in dispute and determine the closing management accounts within twenty (20) Business Days after its appointment and such costs shall be borne equally between the Parties. Any closing management accounts agreed in accordance with this Clause 4.9.1 or determined by the international professional accounting firm shall be conclusive and binding on the Parties (barring manifest error) and become the agreed closing management accounts (the "**Agreed Closing Management Accounts**").
- 4.9.2 The Working Capital shall be derived from the Closing Management Accounts where no objection to the Closing Management Accounts is made by the Purchaser within 180 days after Closing as provided under Clause 4.9.1, or if such objection is made, it shall be derived from the Agreed Closing Management Accounts.
- 4.9.3 If the Working Capital is a negative number, then the Seller shall credit by telegraphic transfer or other electronic means for same day value to the Purchaser's Account an amount equal to the deficit of the Working Capital below zero as a reduction in the Purchase Price, provided that such deficit is equal to or more than US\$100,000.
- 4.9.4 If the Working Capital is a positive number then the Purchaser shall credit by telegraphic transfer or such other means for same day value to the Seller's Account an amount equal to the excess of the Working Capital over zero as an increase in the Purchase Price, provided that such excess is equal to or more than US\$100,000.
- 4.9.5 Any payment made under Clause 4.9.3 or Clause 4.9.4 shall be made:
- (i) if no objection to the Closing Management Accounts is made by the Purchaser within 180 days after Closing as provided under Clause 4.9.1, on the next Business Day thereafter; or
  - (ii) if an objection to the Closing Management Accounts is made under Clause 4.9.1, on or before the fifth (5) Business Day after the date on which the Agreed Closing



Management Accounts are determined as provided under Clause 4.9.1.

## **5 Warranties, Covenants and Indemnities**

### **5.1 The Seller's Warranties, Covenants and Indemnities**

- 5.1.1** Subject to Clause 5.2, the Seller warrants and represents to the Purchaser that the statements set out in Schedule 4:
- (iii) are true and accurate in all respects and not misleading in any respect as of the date of this Agreement; and
  - (iv) would be true and accurate in all respects and not misleading in any respect at Closing as if they had been repeated at Closing, and for this purpose, where there is an express or implied reference in a Warranty to the "date of this Agreement", that reference is to be construed as a reference to the date of Closing unless the context otherwise requires.
- 5.1.2** Each of the Seller's Warranties and the Tax Indemnity shall be separate and independent and shall not be limited by reference to any other paragraph of Schedule 4 or by anything in this Agreement.
- 5.1.3** Any reference in this Agreement to, and any Seller's Warranty qualified by, the expression "to the best of the Seller's knowledge, information and belief" or any similar expression shall, unless otherwise stated, be deemed to refer to the actual knowledge of Timothy Donovan (General Counsel), Steven Tight (President of International Development), Scott Wiegand (Chief Counsel, Enterprise Development), Wang Yingdong (Chief Counsel, Asia Operations and Development), Ken Kuick (Vice President and Assistant Controller), Li Wei (Head of Golf Course Operations) and Prina Lo (Head of Golf Course Finance) of such matters, after making due and reasonable enquiries.
- 5.1.4** The rights and remedies of the Purchaser in respect of any breach of any of the Seller's Warranties, together with any limitations set out in this Agreement in respect of them, will survive Closing.
- 5.1.5** If there is any breach of any of the Seller's Warranties (other than any breach of the Seller's Fundamental Warranties or an Unaudited Accounts Warranty Breach), or any breach or non-fulfilment of Clauses 4.3 or 4.5 (except for a breach of Clause 4.5.2, in which case Clause 5.1.6 shall apply), resulting in the Group Companies having incurred or incurring any liability to any third party or an increase in a liability to any third party which it would not have incurred had the relevant circumstances been as so warranted or the obligations fulfilled, then, subject to Clause 6, the Seller agrees to pay to the Purchaser on demand (at the option of the Purchaser) an amount equal to the liability or increased liability incurred by the Group Companies as a result of such a breach or non-fulfilment of any of the Seller's Warranties or such Clauses without prejudice to the usual remedies available for breach of warranties.
- 5.1.6** If there is any breach or non-fulfilment of Clauses 2, 4.5.2, 4.8.3(iii) or 5.3.2, or any breach of the Seller's Fundamental Warranties, or any liabilities arising from (i) the Undisclosed Caesars Group Liabilities, (ii) Deeds of Waiver, (iii) an Unaudited Accounts Warranty Breach and/or (iv) the sale of the Shares affected by any Encumbrance related to the debt facilities of the Seller, which results in the Group Companies having incurred or incurring any liability to any third party or an increase in a liability to any third party which it would not have incurred had the relevant circumstances been as so warranted or the obligations fulfilled, then, subject to Clause 6 (except that for the purposes of this Clause, Clause 6.2 shall not apply), the Seller agrees to pay to the Purchaser on demand (at the option of the Purchaser) an amount equal to the liability or increased liability incurred by the Group

Companies as a result of such a breach or non-fulfilment without prejudice to the usual remedies available for breach of warranties.

## **5.2 Seller's disclosures**

The Seller's Warranties are subject to the matters which are fully and fairly disclosed in this Agreement or the Disclosure Letter. For the purposes of this Agreement, "fully and fairly disclosed" shall mean disclosure with sufficient detail to identify the nature and scope of the matter disclosed, and shall be considered in the context of the transactions contemplated by this Agreement.

## **5.3 The Seller's waiver of rights against the Group**

The Seller undertakes to the Purchaser and to the Group Companies to waive any rights, remedies or claims which it may have, and to procure the waiver of any rights, remedies or claims which any other member of the Caesars Group may have, against any of the Group Companies, including by the delivery of Deeds of Waiver on the date of Closing (if applicable), in respect of:

- 5.3.1 any misrepresentation, inaccuracy or omission in or from any information or advice supplied or given by any of the Group Companies in connection with assisting the Seller in the giving of any Seller's Warranty or the preparation of the Disclosure Letter; and
- 5.3.2 any Caesars Group Liabilities that remain after Closing, other than where and solely to the extent that (i) such liabilities have been or are adjusted for in accordance with the post-Closing adjustment provisions set out in Clause 4.9, or (ii) the Purchaser retains any part of the Escrow Amount corresponding to the amount of such liabilities in accordance with the Escrow Agreement.

## **5.4 The Purchaser's Warranties**

- 5.4.1 The Purchaser warrants and represents to the Seller that the statements set out in Schedule 5 are true and accurate in all material respects and not misleading in any material respect as of the date of this Agreement and will be true and accurate in all respects and not misleading in any respect at Closing as if they had been repeated at Closing.
- 5.4.2 Each of the Purchaser's Warranties shall be separate and independent and shall not be limited by reference to any other paragraph of Schedule 5 or by anything in this Agreement.
- 5.4.3 The rights and remedies of the Seller in respect of any breach of any Purchaser's Warranties, together with any limitations set out in this Agreement in respect of them, will survive Closing.

## **6 Limitation of liability**

### **6.1 Time limitation for claims**

- 6.1.1 Neither the Seller nor the Purchaser shall be liable in respect of any claim under this Agreement unless a written notice of the claim is given to it by the other party specifying the matters set out in Clause 6.1.2 before 30 April 2014 and legal proceedings in respect of such claim (if it has not been previously satisfied, settled or withdrawn) is commenced on or before 31 December 2014 provided that such time limitations for claims do not apply to any claims in relation to the Fundamental Warranties or Tax. Written notice of any claims for breach of a Fundamental Warranty must be given to the other party specifying the matters set out in Clause 6.1.2 before the date that is two (2) years from the date of Closing and legal proceedings in respect of such claim (if it has not been previously satisfied, settled or withdrawn) must be commenced on or before the date that is two (2) years and six (6) months from the date of Closing. Written notice of any claims relating to Tax, including under the Tax Indemnity, must be given to the other party specifying the matters set out in Clause 6.1.2 by the earlier of (i) the expiry of the applicable statutory period of limitation in respect of claims relating to Tax and (ii) the date that is five (5) years from the date of Closing, and legal proceedings in respect of each such claim (if it has not been previously satisfied, settled or

withdrawn) must be commenced on or before the earlier of (a) the date that is six (6) months after the expiry of the applicable statutory period of limitation in respect of claims relating to Tax and (b) the date that is five (5) years and six (6) months from the date of Closing.

6.1.2 Notices of claims for breach of any Warranty shall be given by the Purchaser to the Seller or by the Seller to the Purchaser (as the case may be) within the time limits specified in this Clause 6.1, specifying in reasonable detail the legal and factual basis of the claim and the evidence on which the Purchaser or the Seller (as the case may be) relies and, if practicable, an estimate of the amount of Losses which are, or are to be, the subject of the claim.

## 6.2 Minimum claims

6.2.1 Subject to Clause 6.2.7, the Seller shall not be liable in respect of any claim under this Agreement (except in relation to the Tax Indemnity and Clauses 4.9 and 5.1.6) unless and until:

- (iv) the amount of any individual substantiated claim exceeds US\$75,000; and
- (v) the aggregate amount of all such substantiated claims exceeds US\$1,000,000,

where "**substantiated**" means a claim for which the Seller is finally liable as agreed or determined in a court or arbitration tribunal of competent jurisdiction.

6.2.2 Subject to Clause 6.2.7, where the liability agreed or determined in respect of any such individual substantiated claim referred to in Clause 6.2.1(i) exceeds US\$75,000, subject as provided elsewhere in this Clause 6, the Seller shall be liable for the full amount of the individual substantiated claim as agreed or determined (and not just the excess).

6.2.3 Subject to Clause 6.2.7, where the liability agreed or determined in respect of all substantiated claims or series of claims referred to in Clause 6.2.1(ii) exceeds US\$1,000,000, subject as provided elsewhere in this Clause 6, the Seller shall be liable for the full amount of the substantiated claim or series of claims as agreed or determined (and not just the excess).

6.2.4 Subject to Clause 6.2.7, the Purchaser shall not be liable in respect of any claim under this Agreement unless and until:

- (v) the amount of any individual substantiated claim exceeds US\$75,000; and
- (vi) the aggregate amount of all such substantiated claims exceeds US\$1,000,000,

where "**substantiated**" means a claim for which the Purchaser is finally liable as agreed or determined in a court or arbitration tribunal of competent jurisdiction.

6.2.5 Subject to Clause 6.2.7, where the liability agreed or determined in respect of any such individual substantiated claim referred to in Clause 6.2.4(i) exceeds US\$75,000, subject as provided elsewhere in this Clause 6, the Purchaser shall be liable for the full amount of the individual substantiated claim as agreed or determined (and not just the excess).

6.2.6 Subject to Clause 6.2.7, where the liability agreed or determined in respect of all substantiated claims or series of claims referred to in Clause 6.2.4(ii) exceeds US\$1,000,000, subject as provided elsewhere in this Clause 6, the Purchaser shall be liable for the full amount of the substantiated claim or series of claims as agreed or

determined (and not just the excess).

6.2.7 For the purpose of this Clause 6.2, any claims arising from substantially identical facts or circumstances shall be aggregated.

### 6.3 Maximum liability

6.3.1 To the extent allowed by law, the aggregate liability of the Seller in respect of all claims under this Agreement (including all claims for all breaches of the Seller's Warranties and in relation to the Tax Indemnity, but subject to Clause 6.3.2) shall not exceed a total sum equal to the Purchase Price less any Brokerage.

6.3.2 To the extent allowed by law, the aggregate liability of the Seller in respect of all breaches of the Seller's Warranties, other than any of the Seller's Fundamental Warranties, shall not exceed the total sum of US\$30,000,000.

6.3.3 To the extent allowed by law, the aggregate liability of the Purchaser in respect of all breaches of the Purchaser's Warranties shall not exceed the total sum of fifty per cent. (50%) of the Purchase Price.

### 6.4 Tax Indemnity

6.4.1 The Seller shall indemnify in full and hold harmless the Purchaser and the Group Companies from and against any of the following to which any Group Company is or becomes subject, for (or that is attributable or relates to) any and all periods ending on or before the date of Closing and, with respect to any relevant taxable period that begins on or before and ends after the date of Closing, for the portion thereof ending on the date of Closing:

- (v) any unpaid Tax;
- (vi) any liabilities resulting from underpayment, delayed payment or deferral of any Tax or any non-compliance of any applicable Tax laws, including unfiled tax returns of the Subsidiaries relating to the years 2007 to 2012;
- (vii) all stamp duties, transfer or registration Taxes in relation to all documents of title in relation to the Property and any transfer documents in relation to the Property, the Shares, the Subsidiaries' Shares or equity of the Subsidiaries other than those related to the transfer of Shares under this Agreement;
- (viii) any liabilities incurred for breach of any applicable anti-avoidance Tax laws, transfer pricing or non-arm's length transactions; and
- (ix) any liabilities resulting from any claw-back or other claims by any government agencies, including the Tax Authority, whether made before or after the date of Closing, in connection with any Tax exemption, refund, benefit, allowance, subsidy or Tax credits granted to any Group Company with respect to any periods ending on or before the date of Closing,

in each case, other than to the extent fairly provided for in the Accounts or the Closing Management Accounts (the "**Tax Indemnity**").

6.4.2 The Seller shall not be liable under the Tax Indemnity to the extent that the liability relates to:

- (i) the fraud, negligence or wilful default of the Purchaser or, after Closing, any Group Company;
- (ii) a voluntary act or omission of the Purchaser or any Group Company carried out after Closing;

- (iii) any change in any provision of any law or regulation, including amendment, supplementation or repeal of an existing law or regulation, or promulgation of a new law or regulation which comes into force after Closing and which is retrospective in effect;
- (iv) any change in accounting policies, principles or interpretation after Closing; or
- (v) any matters which are fairly and fully disclosed in this Agreement or the Disclosure Letter.

6.4.3 The Parties shall cooperate with each other with respect to resolving any claim or liability in respect of which the Seller is obligated to indemnify the Purchaser under the Tax Indemnity, including by using commercially reasonable efforts to mitigate or resolve any such claim or liability.

## 6.5 Conduct of third party claims

Upon a party (the “**First Party**”) becoming aware of any third party claim against it or any Group Company which does or is likely to exceed US\$75,000 and which is likely to give rise to a claim by it in respect of the Warranties which does or is likely to exceed US\$75,000, then:

- 6.5.1 subject to the other party (the “**Other Party**”) indemnifying the First Party against all Losses, the First Party shall take (or procure to be taken) such action as the Other Party may reasonably request to avoid, dispute, deny, defend, resist, appeal, compromise or contest such claim;
- 6.5.2 the First Party or the Group Company(s) concerned may admit, compromise, dispose of or settle such claim if the Other Party unreasonably delays making a request pursuant to Clause 6.5.1, provided that the First Party or Group Company(s) concerned has notified the Other Party of its intention to deal with such claim and has given the Other Party a period of ten (10) Business Days to respond;
- 6.5.3 if the Other Party makes any request pursuant to Clause 6.5.1, the First Party shall take (or procure to be taken), subject to being paid all reasonable costs and expenses in connection therein, all reasonable steps to procure that the Other Party is provided on reasonable notice with all material correspondence and documentation relating to the claim as the Other Party may reasonably request, including access to premises and personnel, and the right to examine and copy or photograph any assets, accounts, documents and records as the Other Party or its financial, accounting or legal advisers may reasonably request, subject to the Other Party agreeing in such form as the First Party may reasonably require to keep all such correspondence and information confidential and to use it only for the purpose of dealing with the relevant claim.

## 6.6 Miscellaneous provisions

- 6.6.1 If after a party (the “**Paying Party**”) has made any payment in respect of a claim under this Agreement, the other party (and/or, in the case of the Purchaser, any Group Company) (the “**Receiving Party**”) shall receive a relief, refund, or recovery from a third party, of all or part of any claim made under this Agreement, the Receiving Party shall as soon as practicable, and in any event within seven (7) Business Days upon the actual receipt of such relief, refund or payment, repay to the Paying Party a sum corresponding to an amount equal to (i) the amount of such relief, refund or payment recovered by the Receiving Party (or any Group Company as the case may be) less any costs or expenses incurred in obtaining such relief, refund or payment or if less (ii) the amount previously paid by the Paying Party attributable in respect of such claims by the Receiving Party.
- 6.6.2 No claim may be brought by the Purchaser against the Seller in respect of this Agreement,

and the Seller shall have no liability therefor, to the extent attributable to any one or more of the following provisions:

- (i) liability is attributable to a voluntary act or omission on or after the Closing, on the part the Purchaser or any of the Group Companies, done, committed or effected:
  - (a) outside the ordinary and usual course of business and in the knowledge that such act, omission or transaction might give rise to, or increase the extent of, a claim under this Agreement or in circumstances where such claim was reasonably foreseeable as a result of such act, omission or transaction; or
  - (b) otherwise than pursuant to a legally binding commitment to which the Group is subject on or before Closing;
- (ii) specific provision or specific reserve in respect thereof has been made in the Accounts or the Closing Management Accounts to the extent of such specific provision or specific reserve;
- (iii) liability which arises (a) as a result of any change in any provision of any law or regulations, including amendment, supplementation or repeal of an existing law or regulation, or introduction of a different interpretation or method of implementation of an existing law or regulation after the date of this Agreement, or (b) promulgation of a new law or regulation (which comes into force after the date of this Agreement and which is retrospective in effect); or
- (vi) liability which arises as a result of a change in accounting policies, principles or interpretation after Closing.

**6.6.3** The Purchaser expressly agrees and accepts that:

- (vii) no claim shall lie against the Seller under this Agreement to the extent that the subject of the claim relates to the fact that any of the Group Companies has lost goodwill or possible business;
- (viii) the Seller shall assume no liabilities in respect of the status, rights or claims of or by any members or potential members of Caesars Golf (whether known or unknown, asserted or unasserted, accrued or contingent) and after Closing, the Purchaser shall procure that Caesars Golf assume all liabilities towards the members of Caesars Golf;
- (ix) the Seller shall assume no liabilities in respect of the condition of the soil of, or environmental issues in relation to, the Property, save that the Seller warrants that the Purchaser has been given all information to the best of the Seller's knowledge, information and belief with respect thereto; and
- (x) no other warranties with regard to the matters specified in this Clause 6.6.3 are given by the Seller and shall be expressly excluded if implied by law.

**6.6.4** The parties expressly waive and forego any right to recover punitive, exemplary, lost profits, consequential or similar damages in any arbitration, lawsuit, litigation or proceeding arising out of or resulting from any controversy or claim arising out of or relating to this Agreement or the transactions contemplated hereby.

## **6.7 Fraud**

None of the limitations contained in this Clause 6 shall apply to:

- 6.7.1** any claim against the Seller which arises or is increased, or to the extent to which it arises or is increased, as the consequence of, or which is delayed as a result of, fraud, or wilful

concealment by the Seller or, prior to Closing, any Group Company or their respective directors, officers, employees or agents;  
or

- 6.7.2 any claim against the Purchaser which arises or is increased, or to the extent to which it arises or is increased, as the consequence of, or which is delayed as a result of, fraud, or wilful concealment by the Purchaser or any of its subsidiaries or holding companies or their respective directors, officers, employees or agents.

#### **6.8 Purchaser's knowledge**

The Seller shall not be liable in respect of any claim for breach of this Agreement or under any indemnity set out in the Agreement, nor shall the Purchaser have any right of termination under Clause 4.7, in each case, to the extent that the facts, matters or circumstances giving rise to the relevant claim or right were, prior to the date of this Agreement, a matter of official public record published by the BVI or Macau government or actually known by the Purchaser or any of the Purchaser's affiliates, or by any of their respective directors, officers, direct or indirect shareholders, after making due and reasonable enquiries.

#### **6.9 Double claims**

The Purchaser shall not be entitled to recover from the Seller under this Agreement more than once in respect of the same Losses suffered by the Purchaser or any Group Company.

### **7 Compliance obligations**

- 7.1 The Purchaser shall between the date of this Agreement and Closing cooperate with and provide the Seller with any documentation or other information requested by the Seller in connection with any investigation by the Seller on:

7.1.1 the Purchaser and its shareholders, officers, directors or other persons associated with the Purchaser (including the capital provider of the Purchaser in respect of the transactions contemplated by this Agreement (the "**Capital Provider**")), in accordance with the Seller's compliance programs, compliance policies or applicable laws and regulations; or

7.1.2 the source of funds paid to the Seller (including the funds provided by the Capital Provider) in connection with the transactions contemplated by this Agreement, in accordance with applicable anti-money laundering, anti-bribery or anti-corruption laws or regulations.

- 7.2 The Purchaser shall immediately inform the Seller in writing if it knows or reasonably suspects that a possible violation by the Purchaser or any of its subsidiaries, affiliates, shareholders, officers, or directors (including the Capital Provider) of any applicable anti-money laundering, anti-bribery or anti-corruption law or regulation has taken place, or where a request, demand or solicitation of money or anything of value was received by it or any of its subsidiaries, affiliates, shareholders, officers, directors or other person associated with it (including the Capital Provider).

- 7.3 The Purchaser agrees that the Seller or any of its affiliates may make full disclosure of information relating to a possible violation by the Purchaser or any shareholder, officer, director or other person associated with it (including the Capital Provider) of any applicable anti-money laundering, anti-bribery or anti-corruption law or regulation at any time and for any reason to any governmental authority, including the governmental authorities of the United States of America, Macau or the PRC.

- 7.4 The Purchaser shall keep accurate accounts, books and records showing all costs and charges incurred in connection with the transactions contemplated by this Agreement in accordance with generally accepted accounting principles and practices and shall preserve these records for five (5) years, and the Purchaser agrees that the Seller and its affiliates shall have the right, upon reasonable written notice to the Purchaser, to audit its compliance with this Clause 7.4,

including terms relating to ethical compliance, and the Purchaser agrees to fully cooperate with the Seller and its affiliates in this regard.

## **8 Confidentiality**

### **8.1 Announcements**

No announcement or circular in connection with the existence or the subject matter of this Agreement shall be made or issued by or on behalf of the Seller or the Purchaser without the prior written approval of the other party. This shall not affect any announcement or circular required by law or any regulatory body or the rules of any recognised stock exchange on which the shares of either party (or their respective holding companies) are listed but the party with an obligation to make, or have their respective holding company make, an announcement or issue a circular shall consult with the other party insofar as is reasonably practicable before complying with such an obligation.

### **8.2 Confidentiality**

**8.2.1** Subject to Clauses 8.1 and 8.2.2:

- (i) each of the Seller and the Purchaser shall, and the Purchaser shall procure that the Capital Provider shall, treat as strictly confidential and not disclose or use any information received or obtained as a result of entering into this Agreement (or any agreement entered into pursuant to this Agreement) which relates to:
  - (f) the existence and the provisions of this Agreement and of any agreement entered into pursuant to this Agreement; or
  - (g) the negotiations relating to this Agreement (and any such other agreements);
- (ii) the Seller shall treat as strictly confidential and not disclose or use any information relating to the Group Companies following Closing and any other information relating to the business, financial or other affairs (including future plans and targets) of the Purchaser (or any of its holding companies);
- (iii) the Purchaser shall, and shall procure that the Capital Provider shall, treat as strictly confidential and not disclose or use any information relating to the business, financial or other affairs (including future plans and targets) of the Seller (or any of its holding companies).

**8.2.2** Clause 8.2.1 shall not prohibit disclosure or use of any information if and to the extent:

- (vii) the disclosure or use is required by law, any regulatory body or any recognised stock exchange on which the shares of either party (or their respective holding companies) are listed;
- (viii) the disclosure or use is required to vest the full benefit of this Agreement in the Seller or the Purchaser;
- (ix) the disclosure or use is required for the purpose of any judicial proceedings arising out of this Agreement or any other agreement entered into under or pursuant to this Agreement or the disclosure is made to a Tax Authority in connection with the Tax affairs of the disclosing party;
- (x) the disclosure is made to professional advisers of any party on a need to know basis and on terms that such professional advisers undertake to comply with the provisions of Clause 8.2.1 in respect of such information as if they were a party to this Agreement;
- (xi) the information is or becomes publicly available (other than by breach of this Agreement);
- (xii) the other party has given prior written approval to the disclosure or use; or
- (xiii) the information is independently developed after Closing.



provided that prior to disclosure or use of any information pursuant to Clause 8.2.2(i), (ii) or (iii), except in the case of disclosure to a Tax Authority, the party concerned shall promptly notify the other party of such requirement with a view to providing that other party with the opportunity to contest such disclosure or use or otherwise to agree the timing and content of such disclosure or use.

### **8.3 Special Confidential Information**

**8.3.1** The Seller may disclose the identity of the Capital Provider only:

- (i) to Caesar's Affiliates or any employees, officers or directors of the Seller or Caesar's Affiliates (including any directors of the Seller or Caesar's Affiliates who, prior to Closing, are also directors of the Subsidiaries), other than those who are Macau citizens or residents or those currently residing or have been residing in Macau in the last three (3) years;
- (ii) to any major shareholder of the Seller or any of Caesar's Affiliates or such major shareholder's employees, officers or directors, other than those who are Macau citizens or residents or those currently residing or have been residing in Macau in the last three (3) years; and
- (iii) if the disclosure is required by law or any regulatory body.

**8.3.2** For the purposes of this Clause 8.3, "**Caesar's Affiliates**" shall mean any and all of the Seller's affiliates except for the Subsidiaries.

## **9 Other provisions**

### **9.1 Further assurances**

**9.1.1** Each of the Seller and the Purchaser shall, and shall use reasonable endeavours to procure that any necessary third party shall, from time to time, execute such documents and perform such acts and things as the other party may reasonably require to transfer the Shares to the Purchaser and to give it the full benefit of this Agreement.

**9.1.2** Following Closing and pending registration of the Purchaser as owner of the Shares, the Seller shall exercise all voting and other rights in relation to the Shares, and shall procure that the Companies shall exercise all voting rights and other rights in relation to the Subsidiaries' Shares, solely in accordance with the Purchaser's instructions.

### **9.2 Whole agreement**

**9.2.1** This Agreement contains the whole agreement between the Seller and the Purchaser relating to the subject matter of this Agreement at the date of this Agreement to the exclusion of any terms implied by law which may be excluded by contract and supersedes any previous written or oral agreement between the Seller and the Purchaser in relation to the matters dealt with in this Agreement.

**9.2.2** In this Clause 9.2, "**this Agreement**" includes the Disclosure Letter and all documents entered into pursuant to this Agreement.

### **9.3 Reasonableness**

**9.3.1** Each of the Seller and the Purchaser confirms it has received independent legal advice relating to all the matters provided for in this Agreement, including the terms of Clause 9.2

(Whole Agreement), and agrees that the provisions of this Agreement are fair and reasonable.

9.3.2 In this Clause 9.3, “**this Agreement**” includes the Disclosure Letter and all documents entered into pursuant to this Agreement.

#### 9.4 Assignment

This Agreement is personal to the parties to it. Accordingly neither the Seller nor the Purchaser may, without the prior written consent of the other, assign or novate the benefit of all or any of the other party’s obligations under this Agreement. Notwithstanding the foregoing, the Purchaser has the right to assign or novate the benefit of all or any of the Seller’s obligations under this Agreement to one or more affiliates designated by it, provided that it obtains the prior written consent of the Seller and that the assignee/new purchaser is able to perform the obligations of the Purchaser in a timely fashion including any and all Closing obligations and is subject at all times to the provisions of Clause 7.

#### 9.5 Variation

No variation of this Agreement shall be effective unless in writing and signed by or on behalf of the Seller and the Purchaser.

#### 9.6 Time of the essence

Time shall be of the essence of this Agreement both as regards any dates, and periods mentioned and as regards any dates, and periods which may be substituted for them in accordance with this Agreement or by agreement in writing between the Seller and the Purchaser.

#### 9.7 Costs

9.7.1 The Seller shall bear all costs incurred by it in connection with the preparation, negotiation and entry into of this Agreement and the sale of the Shares.

9.7.2 The Purchaser shall bear all such costs incurred by it in connection with the preparation, negotiation and entry into of this Agreement and the purchase of the Shares.

#### 9.8 Notarial fees, registration, stamp and transfer Taxes and duties

The Purchaser shall bear the cost of all notarial fees and all registration, stamp and transfer taxes and duties or their equivalents in all jurisdictions where such fees, taxes and duties are payable as a result of the transactions contemplated by this Agreement.

#### 9.9 Interest

If either of the Seller or the Purchaser defaults in the payment when due of any sum payable under this Agreement, its liability shall be increased to include interest on such sum from the date when such payment is due until the date of actual payment (after as well as before judgment) at a rate per annum of two per cent (2%) above the 1 Year US\$ LIBOR from time to time of Hongkong and Shanghai Banking Corporation Limited displayed on the Reuters screen at 11:00 am in Hong Kong. Such interest shall accrue from day to day.

#### 9.10 Notices

9.10.1 Any notice or other communication in connection with this Agreement (each, a “**Notice**”) shall be:

- (i) in writing in English;
- (ii) delivered by hand, fax, registered post or by courier using an internationally recognised courier company.

9.10.2 A Notice to the Seller shall be sent to the following address, or such other person or address as the Seller may notify to the Purchaser from time to time:

Caesars Entertainment Operating Company, Inc.  
1 Caesars Palace Drive  
Las Vegas, Nevada, USA, 89108  
Fax: +1 702 407 6418  
Attention: General Counsel

With a copy to:

Linklaters  
10<sup>th</sup> Floor Alexandra House  
16-20 Chater Road, Central, Hong Kong  
Fax: +852 2810 8133  
Attention: The Managing Partner

**9.10.3** A Notice to the Purchaser shall be sent to the following address, or such other person or address as the Purchaser may notify to the Seller from time to time:

Pearl Dynasty Investments Limited  
Avenida da Praia Grande No.567  
Banco Nacional Ultramarino Building  
10th Floor, Macau  
Fax: +853 2882 7540  
Attention: The Sole Director

**9.10.4** A Notice shall be effective upon receipt and shall be deemed to have been received:

- (i) at the time of delivery, if delivered by hand, registered post or courier; or
- (ii) at the time of transmission in legible form, if delivered by fax.

## **9.11 Invalidity**

**9.11.1** If any provision in this Agreement shall be held to be illegal, invalid or unenforceable, in whole or in part, the provision shall apply with whatever deletion or modification is necessary so that the provision is legal, valid and enforceable and gives effect to the commercial intention of the parties.

**9.11.2** To the extent it is not possible to delete or modify the provision, in whole or in part, under Clause 9.11.1, then such provision or part of it shall, to the extent that it is illegal, invalid or unenforceable, be deemed not to form part of this Agreement and the legality, validity and enforceability of the remainder of this Agreement shall, subject to any deletion or modification made under Clause 9.11.1, not be affected.

## **9.12 Counterparts**

This Agreement may be entered into in any number of counterparts, all of which taken together shall constitute one and the same instrument. The Seller and the Purchaser may enter into this Agreement by executing any such counterparts.

## **9.13 Governing law and arbitration**

**9.13.1** This Agreement and the documents to be entered into pursuant to it (save as expressly referred to therein) shall be governed by and construed in accordance with Hong Kong law.

**9.13.2** Any dispute, controversy or claim arising out of or connected with this Agreement, or the breach, termination or invalidity thereof, including a dispute as to the validity or existence of this Agreement and/or this Clause 9.13, shall be settled by final and binding arbitration in Hong Kong in English under the Hong Kong International Arbitration Centre Administered Arbitration Rules in force when the Notice of Arbitration is submitted in accordance with such rules before a panel of three (3) arbitrators with each Party

appointing one arbitrator and the two arbitrators thus appointed shall choose the third arbitrator who will act as the presiding arbitrator of the Tribunal. The place of arbitration shall be at the Hong Kong International Arbitration Centre.

#### **9.14 Appointment of process agent**

- 9.14.1** The Seller hereby irrevocably appoints Caesars Asia Limited of 18th Floor, Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong as its agent to accept service of process in Hong Kong in any legal action or proceedings arising out of this Agreement, service upon whom shall be deemed completed whether or not forwarded to or received by the Seller.
- 9.14.2** The Seller agrees to inform the Purchaser in writing of any change of address of such process agent within fourteen (14) days of such change.
- 9.14.3** If such process agent ceases to be able to act as such or to have an address in Hong Kong, the Seller irrevocably agrees to appoint a new process agent in Hong Kong and to deliver to the Purchaser within fourteen (14) days a copy of a written acceptance of appointment by the process agent.
- 9.14.4** The Purchaser hereby irrevocably appoints DLA Piper Hong Kong of 17th Floor, The Landmark, 15 Queen's Road, Central, Hong Kong as its agent to accept service of process in Hong Kong in any legal action or proceedings arising out of this Agreement, service upon whom shall be deemed completed whether or not forwarded to or received by the Purchaser.
- 9.14.5** The Purchaser agrees to inform the Seller in writing of any change of address of such process agent within fourteen (14) days of such change.
- 9.14.6** If such process agent ceases to be able to act as such or to have an address in Hong Kong, the Purchaser irrevocably agrees to appoint a new process agent in Hong Kong and to deliver to the Seller within fourteen (14) days a copy of a written acceptance of appointment by the process agent.
- 9.14.7** Nothing in this Agreement shall affect the right to serve process in any other manner permitted by law or the right to bring proceedings in any other jurisdiction for the purposes of the enforcement or execution of any judgment or other settlement in any other courts.

In witness whereof this Agreement has been duly executed.

SIGNED by /s/ Authorized Representative  
on behalf of **CAESARS ENTERTAINMENT OPERATING  
COMPANY, INC.**

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A16422340

SIGNED by/s/ Authorized Representative  
on behalf of **PEARL DYNASTY INVESTMENTS LIMITED**

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**Schedule 1**  
**The Companies and the Subsidiaries**

**1 Particulars of the Companies**

**Name of Company:** VLO Development Corporation  
Registered number: 1416870  
Registered office: P.O. Box 3321, Drake Chambers, Road Town, Tortola, the BVI  
Date and place of incorporation: 5 July 2007 / the BVI  
Authorised and issued capital: 50,000 / 1  
Shareholder and shares held: The Seller - 100%  
Directors: Gary W. Loveman  
Michael D. Cohen  
Secretary: N/A

**Name of Company:** VFC Development Corporation  
Registered number: 1416848  
Registered office: P.O. Box 3321, Drake Chambers, Road Town, Tortola, the BVI  
Date and place of incorporation: 5 July 2007 / the BVI  
Authorised and issued capital: 50,000 / 1  
Shareholder and shares held: The Seller - 100%  
Directors: Gary W. Loveman  
Michael D. Cohen  
Secretary: N/A

**2 Particulars of the Subsidiaries**

**Name of Subsidiary:** Macau Orient Investment Limited  
Macau Orient Investimentos, Limitada  
Registered number: 14731 SO  
Registered office: Avenida da Praia Grande, nº 517, Edifício Comercial Nam Tung, 20º andar, em Macau  
Date and place of incorporation: 20 July 2001 / Macau  
Capital: MOP\$100,000  
Shareholders and quotas held: VLO Development Corporation – 99%  
VFC Development Corporation – 1%  
Directors: Gary W. Loveman  
Steven M. Tight  
Michael D. Cohen

**Name of Subsidiary:** Ou Toi Investment Company Limited  
Ou Toi Investimento, Limitada

Registered number: 14821 SO

Registered office: Avenida da Praia Grande, nº 517, Edifício Comercial Nam Tung, 20º andar, em Macau

Date and place of incorporation: 30 August 2001 / Macau

Capital: MOP\$100,000

Shareholders and quotas held: Macau Orient Investment Limited – 80%  
VLO Development Corporation – 20%

Directors: Gary W. Loveman  
Steven M. Tight  
Michael D. Cohen

**Name of Subsidiary:** Caesars Golf Macau Limited  
Caesars Golfe Macau, S.A.

Registered number: 14995 SO

Registered office: Avenida da Praia Grande, nº 517, Edifício Comercial Nam Tung, 20º andar, em Macau

Date and place of incorporation: 7 September 2001 / Macau

Capital: MOP\$5,000,000 divided into 5,000 ordinary shares of MOP\$1,000 each

Shareholders and shares held: Ou Toi Investment Company Limited – 1,750 ordinary shares (35%)  
Macau Orient Investment Limited – 3,150 ordinary shares (63%)  
VLO Development Corporation – 100 ordinary shares (2%)

Directors: Gary W. Loveman  
Steven M. Tight  
Michael D. Cohen

Secretary: Wang Yingdong

Supervisory Board: CSC & Associates, Auditors



**Schedule 2**  
**The Property**

**Name of Company owning the Property**

Ou Toi Investment Company Limited

**Description and Address of Property**

Certain real property situated between Taipa and Coloane Islands in Macau, in the vicinity of Taipa-Coloane Causeway and Lotus Road, constituting approximately 708,346 square meters, leased by the Government of Macau to Ou Toi Investment Company Limited under and in accordance with the terms of Despatch No. 6/2002 by the Secretary for Transport and Public Works, published on January 30, 2002, in issue no. 5, 2<sup>nd</sup> series, of the Macau Government Gazette ("**Despatch**"), and registered with number 23068(B,) in the Land and Buildings Registry of Macau and registered thereto in favour of Ou Toi under registration number 26853 of Book F.

## Schedule 3 Closing Obligations

### 1 Seller's obligations

On Closing, the Seller shall deliver or make available to the Purchaser or as the Purchaser may reasonably direct, the following originals:

- 1.1 instruments of transfer effecting the transfer of all of the Shares from the Seller to the Purchaser, duly executed and dated by it, in the forms attached as Exhibit A;
- 1.2 share certificates representing all of the Shares;
- 1.3 the completed documents to facilitate the changing of the bank mandates of the Subsidiaries in the Agreed Form and identifying such persons as designated by the Purchaser as the new signatories;
- 1.4 duly written up-to-date shareholders' register of each of the Companies and Caesars Golf and currently valid share certificates of the shares of Caesars Golf;
- 1.5 letter to the registered agent of each of the Companies in the Agreed Form dated the date of Closing and signed by a director (and the client of record) instructing the registered agent to change the client of record to such person as designated by the Purchaser;
- 1.6 written resignations in the Agreed Form (legalised by a notary where required) of all directors, supervisory board members and secretary, as applicable, of each of the Group Companies, to take effect on Closing;
- 1.7 certificate of incorporation of each of the Companies;
- 1.8 all chops kept by the Subsidiaries, namely:
  - 1.8.1 "Orient Golf (Macau) Club Limited chop" used before Orient Golf (Macau) Club Limited changed its name to Caesars Golf;
  - 1.8.2 "Ou Toi Investimento, Limitada chop" used for all submissions relating to Ou Toi Investimento, Limitada such as tax filings, agreements, formal communications to suppliers etc.;
  - 1.8.3 "Macau Orient Investimentos chop" used for all submissions relating to Macau Orient Investimentos such as tax filings, agreements, formal communications to suppliers etc.;
  - 1.8.4 "Caesars Golf Macau, S.A. chop" used for formal communications with the Macau government or officials as well as internal documents to staff.
  - 1.8.5 "Dining Room chop" used for communications related to the golf course restaurant including its communications to the restaurant staff;
  - 1.8.6 "Caesars Golf Macau, S.A. bank chop", "Macau Orient Investimentos bank chop" and "Ou Toi Investimento, Limitada bank chop" used for any communications with banks;
  - 1.8.7 "mini-Dining Room chop" and "mini-Caesars Golf Macau, S.A. chop" used to acknowledge the receipt of goods and amendments to documents;

- 1.8.8 “front desk Caesars Golf Macau, S.A. chop” used to stamp customer receipts and to acknowledge the receipt of goods; and
- 1.8.9 “Sales and Marketing chop” used as a traditional seal for marketing purposes;
- 1.9 all current Caesars Golf membership contracts in its or the Group Companies’ possession;
- 1.10 all current employee contracts of the Subsidiaries in its or the Subsidiaries’ possession;
- 1.11 all current cheque books of the Subsidiaries in its or the Subsidiaries’ possession;
- 1.12 the license of Ou Toi relating to the operation of the restaurant at the golf course on the Property and the industrial tax M/1s for each of the Subsidiaries;
- 1.13 a valid written resolution of the directors for each of the Companies, in the Agreed Form, in each case approving, on receipt of the applicable amounts by the Seller and the Escrow Agent (if applicable) pursuant to Clause 4.6: (i) the transfer of the Shares to the Purchaser; (ii) the registration of the Purchaser as a member of the relevant Company in respect of the Shares and that the register of members of the relevant Company be updated accordingly; (iii) the cancellation of the existing share certificates in respect of the Shares and the issue of new share certificates in respect of the Shares to the Purchaser; (iv) that such persons as designated by the Purchaser be appointed as directors of each of the Companies (subject to written consent of such appointment by such persons), and acknowledging the resignation of the relevant directors as the resigning directors and that the register of directors be updated accordingly; (v) that the client of record of the registered agent of each of the Companies be changed to such person as designated by the Purchaser; (vi) the revocation of the signing authorities to their officers as shown in their respective written consents of the boards of directors dated 31 May 2012; and (vii) the ratification of the appointments and resignations shown in the relevant Company’s registers of directors;
- 1.14 a valid written resolution of the directors of Caesars Golf, in the Agreed Form, approving, on receipt of the applicable amounts by the Seller and the Escrow Agent (if applicable) pursuant to Clause 4.6: (i) that the bank mandates of Caesars Golf be revised in forms required by the respective banks, identifying such persons as designated by the Purchaser as new signatories; and (ii) that the company secretary be changed to such person as designated by the Purchaser;
- 1.15 a valid written resolution of the shareholders for each of the Subsidiaries, in the Agreed Form, in each case approving, on receipt of the applicable amounts by the Seller and the Escrow Agent (if applicable) pursuant to Clause 4.6: (i) that such persons as designated by the Purchaser be appointed as the new directors of each of the Subsidiaries (subject to written consent of such appointment by such persons); (ii) that the bank mandates of each Subsidiary be revised in forms required by the respective banks, identifying such persons as designated by the Purchaser as new signatories; and in the case of Caesars Golf only, (iii) that such person or persons as designated by the Purchaser be appointed as the Single Supervisor or members of the Supervisory Board (subject to written consent of such appointment by such persons); and (iv) that the name of Caesars Golf be changed to such name as designated by the Purchaser;

- 1.16** the corporate books and records, duly written up-to-date, including shareholders' resolutions (and minutes of meetings), board resolutions (and minutes of meetings) and any expired share certificates in the Seller's possession in respect of each of the Group Companies, and all other books and records, all to the extent required to be kept by each of the Group Companies under the law of its jurisdiction of incorporation;
- 1.17** audited financial statements of the Subsidiaries for the financial year ended 31 December 2012;
- 1.18** all historical Caesars Golf membership contracts in its possession;
- 1.19** all expired employee contracts of the Group Company in its possession;
- 1.20** all past or expired licenses of Ou Toi relating to the operation of the restaurant at the golf course on the Property in its possession;

and a certified copy of the following:

- 1.21** an extract of the board resolution of the Caesars Entertainment Corporation in the Agreed Form resolving that the entry into this Agreement and the consummation of the transactions contemplated herein be authorized and approved,

provided that, in the case of Paragraphs 1.3, 1.5, 1.13, 1.14 and 1.15, written notice of the information to be designated by the Purchaser is given to the Seller no later than ten (10) Business Days before the date of Closing.

**Schedule 4**  
**The Seller's Warranties**

**1 Corporate Information**

**1.1 The Shares and the Group Companies**

1.1.1 The Seller:

- (i) is the sole legal and beneficial owner of the Shares; and
- (ii) has the right to exercise all voting and other rights over the Shares.

1.1.2 The Shares comprise the whole of the issued and allotted share capital of each of the Companies, have been properly and validly issued and allotted and are each fully paid up in accordance with applicable law and the requirements of the constitutional documents of each respective Company.

1.1.3 The shareholders specified in Paragraph 2 of Schedule 1:

- (i) are the sole legal and beneficial owners of the Subsidiaries' Shares; and
- (ii) have the right to exercise all voting and other rights over such shares.

1.1.4 The Subsidiaries' Shares comprise the whole of the issued and allotted share capital of each of the Subsidiaries, have been properly and validly issued and allotted and are fully paid up in accordance with applicable law and the requirements of the constitutional documents of each respective Subsidiary.

1.1.5 No person has the right (whether exercisable now or in the future and whether contingent or not) to call for the allotment, conversion, issue, registration, sale or transfer, amortisation or repayment of any share capital or any other security giving rise to a right over, or an interest in, the capital of any Group Company under any option, agreement or other arrangement (including conversion rights and rights of pre-emption).

1.1.6 There are no Encumbrances on, over or affecting the Shares or the Subsidiaries' Shares nor is there any commitment to give or create, and no person has claimed to be entitled to, any such Encumbrance.

1.1.7 All consents for the execution, delivery and performance of this Agreement and the transfer of the Shares have been obtained.

1.1.8 No consent or approval of any governmental authority or any third party is required to be obtained with respect to the Seller in connection with the execution or performance of this Agreement by the Seller or the consummation of the transactions contemplated in this Agreement by the Seller, other than those that have already been obtained on or before the date of this Agreement.

1.1.9 The Shares and the Subsidiaries' Shares have not been and are not listed on any stock exchange or regulated market.

1.1.10 No Group Company:

- (i) has any interest in, or has agreed to acquire, any share capital or other security referred to in Paragraph 1.1.5 of any other company, partnership, firm or entity (wherever incorporated) other than the Subsidiaries as set out in Schedule 1; or

- (ii) has any branch, representative office, division, establishment or operations outside the BVI or Macau.
- 1.1.11 The particulars contained in Schedule 1 are true, accurate and not misleading in any material respect.
- 1.1.12 To the best of the Seller's knowledge, information and belief, no Group Company has given a power of attorney or any other authority (express, implied or ostensible) which is still outstanding or effective to any person to enter into any contract or commitment or to do anything on its behalf.
- 1.1.13 To the best of the Seller's knowledge, information and belief, the Seller has not granted any proxy to any person in respect of the Shares or the Subsidiaries' Shares and there is no agreement by the Seller in relation to the exercise of its voting rights in respect of the Shares or the Subsidiaries' Shares or the exercise of the voting rights of directors nominated or appointed by the Seller.
- 1.1.14 Except for the holding of the issued share capital of the Subsidiaries, the Companies are not engaged in any other business.
- 1.1.15 Except for the holding of the Property or the managing and operating of the Property and the facilities on the Property and engaging in activities ancillary thereto, the Subsidiaries are not engaged in any other business.
- 1.1.16 To the best of Seller's knowledge, information and belief, all board and shareholder resolutions of each of the Group Companies are valid in all material respects.
- 1.1.17 The Seller is not engaged in any action, suit, arbitration or proceeding and, to the best of the Seller's knowledge, information and belief, there is no action, suit arbitration or proceeding pending against the Seller, in either case that would impact on the Seller's ability to perform its obligations under this Agreement.

## **1.2 Corporate registers and minute books**

- 1.2.1 The constitutional documents attached to the Disclosure Letter are true and accurate copies of the constitutional documents of the Group Companies and, to the best of the Seller's knowledge, information and belief, there have not been and are not any breaches by any Group Company of its constitutional documents which would have a material adverse effect on the business of the Group.
- 1.2.2 The registers, minute books, books of account and other records of whatsoever kind of each Group Company which are required to be maintained under applicable law:
  - (iii) are up-to-date;
  - (iv) are maintained in accordance with applicable law on a proper and consistent basis; and
  - (v) contain complete and accurate records of all matters required to be dealt with in such books and records, in each case in all material respects and to the best of Seller's knowledge, information and belief.
- 1.2.3 All registers, books and records referred to in Paragraph 1.2.2 and all other documents (including documents of title and copies of all subsisting agreements to

which any Group Company is a party) which are the property of each Group Company are in the possession (or under the control) of the relevant Group Company and no notice or allegation that any of such books and records is incorrect or should be rectified has been received.

- 1.2.4 To the best of Seller's knowledge, information and belief, all filings, publications, registrations and other formalities required by applicable law to be delivered or made by the Group Companies to company registries in each relevant jurisdiction have been duly and correctly delivered.

## **2 Accounts**

### **2.1 Accounts**

- 2.1.1 All the Accounts in respect of the Companies have been prepared in accordance with accounting principles generally accepted in the United States of America and used on a consistent basis and on Closing the Closing Management Accounts will have been prepared in accordance with accounting principles generally accepted in the United States of America as they relate to the Companies, General Financial Reporting Standards of Macau as they relate to Ou Toi and Macau Orient Investment Limited and Financial Reporting Standards of Macau as they relate to Caesars Golf.
- 2.1.2 The Accounts in respect of the Companies and the Closing Management Accounts are not misleading in any material respect having regard to the purpose for which they were drawn up and do not materially misstate the assets and liabilities of the Group Companies as at the date to which they are drawn up nor the profits or losses for the period concerned.
- 2.1.3 All the Accounts in respect of the Subsidiaries have been prepared and audited on a proper and consistent basis in accordance with General Financial Reporting Standards of Macau in respect of Ou Toi and Macau Orient Investment Limited and Financial Reporting Standards of Macau in respect of Caesars Golf.
- 2.1.4 The Accounts in respect of the Subsidiaries show a true and fair view of the state of affairs and the financial position of the Subsidiaries as at the Accounts Date and of the profits and losses for the financial period concerned.

## **3 Financial Obligations**

### **3.1 Financial Facilities**

There are no external third party financial facilities (including loans, derivatives and hedging arrangements) outstanding or available to the Group Companies.

### **3.2 Guarantees etc.**

To the best of the Seller's knowledge, information and belief, other than in the ordinary or usual course of business, there is no outstanding guarantee, indemnity, suretyship or security (whether or not legally binding) given:

- 3.2.1 by any Group Company; or
- 3.2.2 for the benefit of any Group Company,

nor is any Group Company liable to pay all or part of the debts or liabilities of that other person, in each case which would have a material adverse effect on the business of the Group or any Group Company.

### **3.3 Off-Balance Sheet Financing**

No Group Company has engaged in any financing of a type which would not be required to be shown or reflected in the Accounts or the Closing Management Accounts (as the case may be) or borrowed any money which it has not repaid.

### **3.4 No Undisclosed Liabilities**

There are no material liabilities, whether actual or contingent, of the Group Companies other than: (i) liabilities disclosed or provided for in the Accounts or the Closing Management Accounts; (ii) liabilities incurred in the ordinary and usual course of business since the Accounts Date; (iii) liabilities disclosed elsewhere in this Agreement; or (iv) liabilities disclosed in the Disclosure Letter.

## **4 Assets**

### **4.1 The Property**

4.1.1 The Property comprises the sole immovable premises and land leased, rented, licensed, occupied or otherwise used in connection with the businesses of the Group Companies or in which the Group Companies has any right or interest.

4.1.2 The particulars of the Property set out in Schedule 2 are a true and accurate excerpt of the Despatch.

### **4.2 Title**

In relation to the Property:

4.2.1 Ou Toi has the sole title to the lease rights to the Property including the ownership of all constructions built thereupon under the land concession contract entered into between the Macau government and Ou Toi as annexed to the Despatch, with absolute legal and beneficial title thereto and beneficially entitled to the whole of the proceeds of any sale of and has a good and marketable title to the whole of the Property free from any Encumbrances other than the rights of the Macau government set out in the Despatch and applicable laws;

4.2.2 Ou Toi has obtained provisional registration of the Despatch and the lease rights thereunder in its name at the Macau Land and Buildings Registry;

4.2.3 Ou Toi has exclusive possession of the Property and no right of occupation has been acquired or is in the course of being acquired by any third party or has been granted or agreed to be granted to any third party;

4.2.4 Ou Toi has not received any written notice that any rent and rates presently payable in respect of the Property are outstanding;

4.2.5 all the licenses and permits affecting or pertaining to the Property required to own, possess, develop and manage the Property have been obtained by the Group Companies and all applicable laws affecting or pertaining to the Property which are to be complied with by Ou Toi have been duly complied with in all material respects;

4.2.6 no person has or claims to have any lien over the Property or any relevant documents relating thereto;

4.2.7 there are no leases in respect of the Property, other than pursuant to the Despatch and the land concession contract annexed to it;



- 4.2.8 to the best of the Seller's knowledge, information and belief, there are no squatters or other persons occupying any part of the Property illegally or otherwise without the consent of the Seller;
- 4.2.9 there are no mortgages or other Encumbrances (other than the rights of the Macau government set out in the Despatch and applicable laws) affecting the Property;
- 4.2.10 to the best of the Seller's knowledge, information and belief, the Despatch is good, valid and subsisting and not void or voidable and the premium, rent and other moneys reserved by or payable under the Despatch have been duly paid, performed and observed up to the date hereof;
- 4.2.11 no Group Companies have entered into any covenant, restriction, burden, stipulation or condition which materially adversely affects the use of the Property as used at the date of this Agreement, other than those under the Despatch and the land concession contract annexed to it;
- 4.2.12 the Group Companies have not received any written notice stating that there are any unauthorized or illegal structures or illegal alteration at, on or within the Property or any part thereof;
- 4.2.13 the Group Companies have not received any written notice that any steps are being taken by any government authority to avoid, suspend, cancel or terminate any title certificate or licenses or permits relevant to the Property (whether in part or in full);
- 4.2.14 the Group Companies have not received any written notice, order, resolution or proposal from any governmental body, competent authority or department concerning the resumption, requisition, compulsory creation of any rights over, condemnation, change in planning or zoning or compulsory acquisition of the Property or any part thereof or any required work to be done or expenditure to be made on or in respect of the Property;
- 4.2.15 to the best of the Seller's knowledge, information and belief, there are no circumstances which would entitle or require the Government or any other person to exercise any power of re-entry and taking possession or resumption or which would otherwise restrict or terminate the continued possession or occupation of the Property; and
- 4.2.16 to the best of the Seller's knowledge, information and belief, there are no circumstances existing which would entitle the Government or any other person to exercise any power of re-entry and taking possession or resumption or which would otherwise restrict or terminate the continued possession or occupation of the Property due to any breaches of any applicable anti-corruption laws.

### **4.3 Plant and Equipment**

The Subsidiaries are the legal and beneficial owners of all the fixed plant and equipment (such as fixtures, elevators and air-conditioning equipment) located in or on the Property and all golf carts situated on the Property which are necessary for or material to the operation of the Property, free from all Encumbrances.

#### **4.4 Management of Property**

In relation to the Property, there are no material management or service agreements relating to the Property that will be binding on any Group Company or the Property after completion of this Agreement.

#### **4.5 Development at the Property**

In relation to the Property, to the best of the Seller's knowledge, information and belief, the development and construction of the Property, and all additions and alterations thereto, have been carried out and completed in accordance with the material terms of all applicable approvals, consents and licences from all relevant planning and other government or statutory authorities.

#### **4.6 Environmental**

**4.6.1** No Group Company has received written notice that it is not complying with all environmental laws in all material respects and, to the best of the Seller's knowledge, information and belief, each Group Company has complied and are in compliance with all environmental laws in all material respects.

**4.6.2** No underground structures, which will cause the discharge or release of any hazardous substance, including treatment or storage tanks and sumps, have been installed by the Seller at the Property, other than in the ordinary or usual course of business.

**4.6.3** No Group Company has engaged in or permitted any operations or activities upon the Property involving the use, storage, release, treatment, manufacture or deposit of any hazardous substance, or any substance regulated by environmental law, other than in the ordinary or usual course of business.

**4.6.4** To the best of the Seller's knowledge, information and belief, no discharge, release, leaching, emission or escape into the environment of any hazardous substance or any substance regulated by environmental law other than in the ordinary or usual course of business has occurred or is occurring in the conduct of the present business of any Group Company since 20 September 2007.

### **5 Contracts**

#### **5.1 Capital Commitments**

To the best of the Seller's knowledge, information and belief, no material capital commitments have been entered into or proposed by any Group Company. For these purposes a material capital commitment is one involving capital expenditure of over US\$20,000.

#### **5.2 Contracts**

**5.2.1** To the best of the Seller's knowledge, information and belief, all material contracts, transactions, arrangements, understandings or obligations to which any Group Company is a party or has an interest (including for the entering of any joint venture, any agreements with connected parties and any arrangement pursuant to which any person may be entitled to a finder's fee, brokerage or other commission in connection with the purchase of the Shares and/or the Subsidiaries' Shares) are included in the Disclosure Documents.

**5.2.2** With respect to the documents referred to in Paragraph 5.2.1, to the best of the Seller's knowledge, information and belief, there are no uncured or unwaived material default under any such contracts, transactions, arrangements,

understandings or obligations by any Group Company or other party or parties thereto.

### **5.3 Compliance with Agreements**

To the best of the Seller's knowledge, information and belief:

- 5.3.1 all material contracts to which any of the Group Companies is a party are valid, binding and enforceable obligations of the parties thereto; and
- 5.3.2 there are no grounds, including any subsisting breach, non-performance or default of the material terms, for rescission, avoidance or repudiation of any material contracts or matters and no notice of termination or of intention to terminate has been received in respect of any of them.

### **5.4 Effect of Sale of the Shares**

To the best of the Seller's knowledge, information and belief, neither entering into, nor compliance with, nor completion of this Agreement for the transfer of all or any of the Shares could cause any Group Company to lose the benefit of any material right or material privilege it presently enjoys under any contract or arrangement to which any Group Company is a party.

## **6 Employees and Employee Benefits**

### **6.1 Terms of Employment**

- 6.1.1 Since 31 December 2012, there have been no proposals to materially amend the terms of employment or any consultancy agreement of any Relevant Employee or consultant.
- 6.1.2 No Group Company has made or agreed to make any payment or provided or agreed to provide any benefit to any Relevant Employee or consultant or former employee or consultant or any dependant of any such persons in connection with the proposed termination or suspension of employment or variation of any contract of employment or consultancy agreement of any such Relevant Employee or consultant or former employee or consultant.
- 6.1.3 No Group Company provides any bonuses, incentive schemes, share incentive, share option or profit sharing arrangement for any Relevant Employees.
- 6.1.4 There are no agreements or arrangements between any Group Company and any trade union or employees' organization.

### **6.2 Employees**

Since 20 September 2007, no Group Company has received any complaints, including in relation to working conditions or any form of discrimination, from any past or present Relevant Employee.

### **6.3 Group Retirement Benefit Arrangements**

There are no obligations on any of the Group Companies to provide or pay any contributions to any pensions, retirement, death, disability or life assurance benefits for any past or present Relevant Employees or directors or consultants or their respective dependents ("**Group Retirement Benefit Arrangements**") which arise on, or are calculated by reference to, a defined benefits basis, and, to the best of the Seller's knowledge, information and belief, the Group Retirement Benefit Arrangements are in compliance with their terms.

## **7 Legal Compliance**

### **7.1 Licences and Consents**

- 7.1.1 To the best of the Seller's knowledge, information and belief, there is no investigation, enquiry or proceeding outstanding or anticipated which is likely to result in the suspension, cancellation, modification or revocation of any licences, consents, authorisations, orders, warrants, confirmations, permissions, certificates, approvals, registrations and authorities necessary or desirable for the carrying on of the businesses of the each of the Group Companies as now carried on.
- 7.1.2 The Group Companies have obtained all licences, permits and other approvals necessary to manage the Property and operate the business of the Group Companies, except where an omission to do so would not have a material adverse effect on the business of the Group Companies.

### **7.2 Compliance with Laws**

- 7.2.1 To the best of the Seller's knowledge, information and belief, each Group Company is conducting, and since 20 September 2007 has conducted, the business of the Group in material compliance with applicable laws and regulations.
- 7.2.2 To the best of the Seller's knowledge, information and belief, since 20 September 2007 no Group Company has received any notice or other communication (official or otherwise) with respect to an alleged, actual or potential violation and/or failure to comply with any applicable law, regulation or constitutional document.
- 7.2.3 To the best of the Seller's knowledge, information and belief, since 20 September 2007 no Group Company nor any of its officers, agents or employees (during the course of his/her duties) has done or omitted to do anything which is a contravention of any law which has resulted or may result in any outstanding fine, penalty or other liability or sanction on the part of any Group Company which is unresolved and which would have a material adverse effect on the business of the Group.

## **8 Litigation and Investigations**

### **8.1 Current Proceedings**

- 8.1.1 No Group Company (or any person for whose acts or defaults a Group Company may be vicariously liable) is involved whether as claimant or defendant or other party in any claim, legal action, proceeding, suit, litigation, prosecution, investigation, enquiry, mediation or arbitration. To the best of the Seller's knowledge, information and belief, no Group Company is in default under the terms of any ruling, judgment, award, determination, decree or order of any court, arbitrator or mediator against any Group Company. To the best of the Seller's knowledge, information and belief, there is, as at the date of this Agreement, no outstanding, unfulfilled or unsatisfied ruling, judgment, award, determination, decree or order of any court, arbitrator or mediator against any Group Company.
- 8.1.2 To the best of the Seller's knowledge, information and belief, no Group Company is the subject of any material investigation, enquiry or enforcement proceedings by any government agency (including in relation to Tax).

### **8.2 Pending or Threatened Proceedings**

- 8.2.1 To the best of the Seller's knowledge, information and belief, no claim, legal action, proceeding, suit, litigation, prosecution, investigation (government or otherwise),

enquiry, mediation or arbitration is pending or threatened by or against any Group Company (or any person for whose acts or defaults a Group Company may be vicariously liable). To the best of the Seller's knowledge, information and belief, the Group Companies are not involved in any disputes which are likely to give rise to any legal proceedings.

- 8.2.2 To the best of the Seller's knowledge, information and belief, there are no circumstances which are likely to give rise to any material investigation, enquiry or enforcement proceedings by any government agency (including in relation to Tax).

## **9 Insurance**

### **9.1 Insurance Policies**

The Group Companies are insured under valid policies of insurance in an amount and to the extent that it is prudent to do so in respect of the Property and the business carried on by the Group Companies. Copies of all Insurance Policies are included in the Disclosure Documents. All premiums due in respect of the Insurance Policies have been duly paid in full, all material conditions of the Insurance Policies have been performed and observed in full and nothing material has been done or omitted to be done whereby any Insurance Policy has or is likely to become void or voidable. No notice from the insurers of the Insurance Policies that any of such Insurance Policies may become void or otherwise ineffective has been received by any Group Company.

### **9.2 Insurance Claims**

9.2.1 Details of all insurance claims made during the past two years are contained in the Disclosure Letter.

9.2.2 No insurance claim is outstanding and no circumstances exist which are likely to give rise to any insurance claim.

### **9.3 Claims Refused**

In the two years prior to the date of this Agreement, no claim has been refused or settled below the amount claimed.

## **10 Tax**

### **10.1 Company Residence**

Each of the Companies has been resident for tax purposes in the BVI and each Subsidiary has been resident for tax purposes in Macau and each Group Company has not been resident anywhere else at any time since its incorporation. For the avoidance of doubt, references to residence in this paragraph shall be construed as references to residence as determined by the local law of the jurisdiction or jurisdictions concerned and not by reference to the provisions of any relevant double taxation treaty or convention.

### **10.2 Returns and Information**

All registrations, returns, computations, notices and information which are or have been required to be made or given by each Group Company for any Taxation purpose (i) have been made or given within the requisite periods and on a proper basis and are up-to-date and true and correct in all material respects and disclose all material facts and information that must be disclosed under applicable laws, and (ii) none of them is, or is likely to be, the subject of any dispute with any Tax Authority.

### 10.3 Other Tax Matters

- 10.3.1 The Group has paid all Taxes shown to be due on any tax returns and any other Taxes for which any Group Company is liable, including any fine, penalty or interest, have been paid and no arrangement or agreement has been entered into by, or in relation to, any Group Company which extends the period of assessment or payment of any Taxes.
- 10.3.2 No Group Company has waived any statutory period of limitations in respect of Taxes or assessments or deficiencies in connection therewith.
- 10.3.3 All material records which any Group Company is required to keep for Tax purposes, or which would be needed to substantiate any claim made or position taken in relation to Tax by the relevant Group Company, have been kept within the possession and control of the Seller and the Group Companies.
- 10.3.4 No Group Company is involved in any dispute or non-routine audit or, to the best of the Seller's knowledge, information and belief, any investigation (material or otherwise) in relation to Tax with a Tax Authority.
- 10.3.5 To the best of the Seller's knowledge, information and belief, no Group Company is involved with any investigations of any submitted Tax returns of the Group Companies by any applicable governmental authority and to the best of the Seller's knowledge, information and belief, there is no potential dispute or investigation in respect of any submitted Tax returns for the Group Companies by any Tax Authority.
- 10.3.6 As at Closing, all documents of title in relation to the Property and any transfer documents in relation to the Property, the Shares and Subsidiaries' Shares or equity of the Subsidiaries executed prior to Closing (other than this Agreement and in relation to the transactions contemplated hereunder) have been duly stamped and registered in accordance with applicable law and any and all applicable stamp duty, transfer or registration Taxes have been paid in full.
- 10.3.7 No Group Company has been or is involved in any transaction which had or has a sole, main or dominant purpose of avoiding Taxes or which is otherwise subject to counteraction under any applicable anti-avoidance Tax laws.
- 10.3.8 To the best of the Seller's knowledge, information and belief, the Group Companies have paid, withheld, deducted or accounted for all Taxes (including interim Taxes) required to be paid, withheld, deducted or accounted for by it to the relevant Tax Authorities when such Taxes were due. Since 20 September 2007, no Group Company has been subject to or liable for any penalty, fine, surcharge or interest in connection with Taxes which remains unpaid as at the date of this Agreement.
- 10.3.9 To the best of the Seller's knowledge, information and belief, all material transactions and other dealings between any Group Company and any third person (including any affiliate) have been conducted at arm's length with a substantial business reason, the main purpose or one of the main purposes of which has not been to avoid Tax. Since 20 September 2007, the Group Companies have not received any challenge by the competent tax authorities in relation to transfer pricing in respect of any such transfers and dealings.

## **11 Important Business Issues Since the Accounts Date**

### **11.1** Since the Accounts Date as regards each Group Company:

**11.1.1** to the best of the Seller's knowledge, information and belief, otherwise than in the ordinary and usual course of carrying on its business, no Group Company has entered into any material transaction or agreement or assumed or incurred any material liabilities (including contingent liabilities) or made any material payment not provided for in the Accounts or the Closing Management Accounts;

**11.1.2** there has been no change in the accounting reference date;

**11.1.3** there has been no material adverse change in the assets and liabilities or any material adverse change in the financial position of any Group Company;

**11.1.4** no Group Company has agreed to be declared, declared, made or paid any dividend or other distribution of profits or assets and no Group Company has received a distribution from any company in contravention of any applicable law; and

**11.1.5** the business of each Group Company has continuously been carried on in the ordinary course,

in each case, save for any payment or distribution that may be made to its shareholders or ultimate beneficial holders in accordance with this Agreement.

## **12 Authority and Capacity**

**12.1** Each Group Company is validly existing and is a company duly incorporated under applicable law.

**12.2** The Seller has the legal right and full power and authority under its constitutional documents and under applicable laws to enter into, perform and take all action required by this Agreement and any other documents to be executed by it pursuant to or in connection with this Agreement and neither the execution of this Agreement nor the performance of its obligations under this Agreement by the Seller will: (i) violate or breach or otherwise constitute or give rise to a default under the terms or provisions of the Seller's constitutional documents or any other document, agreement or contract which is binding upon the Seller or any Group Company or any assets of the Seller or any Group Company; or (ii) result in any Encumbrance being created or imposed on the assets of any Group Company or the Seller; or (iii) result in a breach of any order, judgment or decree of any court, governmental agency or regulatory body to which the Seller or any Group Company is a party or subject.

**12.3** The documents referred to in Paragraph 12.2 will, when executed, constitute valid, binding and enforceable obligations on the Seller, in accordance with their respective terms.

**12.4** The Seller has full power, right and authority to transfer the Shares to the Purchaser.

**12.5** The Seller, in the execution and delivery of this Agreement, is in compliance, in all material respects, with applicable laws, statutes, regulations, rules and other governmental requirements.

## **13 Insolvency etc.**

**13.1** No Group Company nor the Seller is insolvent under the laws of its jurisdiction of incorporation or unable to pay its debts as they fall due to be paid and no circumstances

have arisen which entitle any person to take any action, appoint any person, commence any proceedings or obtain any order of a type which would make any Group Company or the Seller insolvent.

- 13.2** To the best of the Seller's knowledge, information and belief, there are no proceedings in relation to any compromise or arrangement with creditors or any winding up, bankruptcy or other insolvency proceedings concerning any Group Company.
- 13.3** No Group Company nor the Seller is contemplating the filing of a petition under any bankruptcy, insolvency or other similar applicable law.
- 13.4** None of the Group Companies or the Seller have received any notice that could lead to any Group Company becoming insolvent.
- 13.5** To the best of the Seller's knowledge, information and belief, no steps have been taken to enforce any security over any assets of any Group Company.
- 13.6** None of the transactions contemplated under this Agreement will be or have been made with an intent to hinder, delay or defraud any of the Group Companies' or the Seller's present or future creditors.
- 13.7** No Group Company is involved in any scheme of reconstruction, merger, amalgamation, reorganization or reduction of capital or any other similar process.
- 13.8** No receiver (including administrative receiver), liquidator, trustee, administrator or custodian or similar body has been appointed in any jurisdiction in respect of the whole or any part of the business or assets of any Group Company.

#### **14 Anti-corruption Laws**

**14.1** Neither the Seller nor the Group Companies or their shareholders, officers, or directors, directly or indirectly:

**14.1.1** has violated or would violate any anti-money laundering law or regulation; or

**14.1.2** has made, offered, authorised or promised to make, or will make, offer, authorise or promise to make, any payment or anything of value to anyone, that has or would violate any applicable anti-bribery law or regulation including the United States Foreign Corrupt Practices Act of 1977, the Criminal Law of China (eff. 1 October 1997), the Anti-Unfair Competition Law of China (eff. 1 December 1993), the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, 1997, and any similar laws or requirements in effect in Macau or generally with respect to the parties or the transactions contemplated by this Agreement,

such that such actions would have a material adverse impact on the Shares, the Subsidiaries' Shares or the Property.

**14.2** Neither the Seller nor the Group Companies or their shareholders, officers, or directors has been convicted of, pleaded guilty, or charged with any offence involving anti-money laundering, fraud, corruption or bribery, in any jurisdiction or country.

**14.3** Neither the Seller nor the Group Companies or their shareholders, officers, or directors is an official, employee, representative or candidate of any governmental authority nor have they been in the last five (5) years.



**14.4** The Seller and the Group Companies have policies that, to the best of the Seller's knowledge, information and belief, are sufficient to provide reasonable assurances that violations of applicable anti-corruption laws will be prevented and deterred.

**Schedule 5**  
**The Purchaser's Warranties**

**1 Compliance**

- 1.1** Neither the Purchaser nor any of its subsidiaries, affiliates, shareholders, officers, or directors (including the Capital Provider), directly or indirectly:
- 1.1.1** has violated or would violate any anti-money laundering law or regulation; or
  - 1.1.2** has made, offered, authorised or promised to make, or will make, offer, authorise or promise to make, any payment or anything of value to anyone, that has or would violate any applicable anti-bribery law or regulation including the United States Foreign Corrupt Practices Act of 1977, the Criminal Law of China (eff. 1 October 1997), the Anti-Unfair Competition Law of China (eff. 1 December 1993), the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, 1997, and any similar laws or requirements in effect in Macau or generally with respect to the parties or the transactions contemplated by this Agreement.
- 1.2** Neither the Purchaser nor any of its subsidiaries, affiliates, shareholders, officers, or directors (including the Capital Provider) has been convicted of, pleaded guilty, or charged with any offence involving anti-money laundering, fraud, corruption or bribery, in any jurisdiction or country.
- 1.3** Neither the Purchaser nor any shareholder, officer, director or other person associated with the Purchaser (including the Capital Provider) is an official, employee, representative or candidate of any governmental authority nor have they been in the last five years.

**2 Authority and Capacity**

- 2.1** The Purchaser is validly existing and is a company duly incorporated under applicable law.
- 2.2** The Purchaser has the legal right and full power and authority under its constitutional documents and under applicable laws to enter into, perform and take all action required by this Agreement and any other documents to be executed by it pursuant to or in connection with this Agreement and neither the execution of this Agreement nor the performance of its obligations under this Agreement will (i) violate or breach or otherwise constitute or give rise to a default under the terms or provisions of the Purchaser's constitutional documents or any other document, agreement or contract which is binding upon the Purchaser or any assets of the Purchaser or (ii) result in any Encumbrance being created or imposed on the assets of the Purchaser.
- 2.3** The documents referred to in Paragraph 2.2 will, when executed, constitute valid, binding and enforceable obligations on the Purchaser, in accordance with their respective terms.
- 2.4** The Purchaser, in the execution and delivery of this Agreement, is in compliance, in all material respects, with applicable laws, statutes, regulations, rules and other governmental requirements.

**3 Insolvency etc.**

- 3.1** The Purchaser is not insolvent under the laws of its jurisdiction of incorporation or unable to pay its debts as they fall due to be paid and no circumstances have arisen which entitle

any person to take any action, appoint any person, commence any proceedings or obtain any order of a type a which would make the Purchaser insolvent.

- 3.2** There are no proceedings in relation to any compromise or arrangement with creditors or any winding up, bankruptcy or other insolvency proceedings concerning the Purchaser.
- 3.3** The Purchaser is not contemplating the filing of a petition under any bankruptcy, insolvency or other similar applicable law.
- 3.4** The Purchaser has not received any notice that could lead to it becoming insolvent.
- 3.5** To the best of the Purchaser's knowledge, information and belief, no steps have been taken to enforce any security over any assets of the Purchaser.
- 3.6** None of the transactions contemplated under this Agreement will be or have been made with an intent to hinder, delay or defraud any of the Purchaser's present or future creditors.
- 3.7** The Purchaser is not involved in any scheme of reconstruction, merger, amalgamation, reorganization or reduction of capital or any other similar process.
- 3.8** No receiver (including administrative receiver), liquidator, trustee, administrator or custodian or similar body has been appointed in any jurisdiction in respect of the whole or any part of the business or assets of the Purchaser.

**Exhibit A**  
**Instruments of Transfer**

**VFC DEVELOPMENT CORPORATION**  
**(The "Company")**  
**A BVI Business Company**  
**with BVI Company Number 1416848**

**SHARE TRANSFER FORM**

We, Caesars Entertainment Operating Company, Inc. ("the **Transferor**"), for good and valuable consideration received by it from Pearl Dynasty Investments Limited ("the **Transferee**") of P.O. Box 957, Offshore Incorporations Centre, Road Town, British Virgin Islands, do hereby:

1. transfer to the Transferee the one (1) fully paid ordinary share in the Company (of no par value) (the "**Share**") standing in the Transferor's name in the Register of Members of the Company to hold unto the Transferee, its executors, administrators and assigns, subject to the several conditions on which the Transferor held the same at the time of execution of this Share Transfer Form; and
2. consents that the Transferor's name remains on the Register of Members of the Company until such time as the Company enters the Transferee's name in the Register of Members of the Company.

And the Transferee does hereby agree to take the Share subject to the same conditions.

This Share Transfer Form may be executed in counterparts each of which when executed and delivered shall constitute an original but all such counterparts together shall constitute one and the same instrument.

**As Witness Our Hands**

Signed by the Transferor on [Date]  
in the presence of:

\_\_\_\_\_  
Witness

\_\_\_\_\_  
For and on behalf of the Transferor  
**Caesars Entertainment Operating Company, Inc.,**  
[by its duly authorised director/Attorney]

Signed by the Transferee on [Date]  
in the presence of:

\_\_\_\_\_  
Witness

\_\_\_\_\_  
For and on behalf of the Transferee  
**Pearl Dynasty Investments Limited**  
[by its duly authorised director/Attorney in Fact]

**VLO DEVELOPMENT CORPORATION**  
**(The "Company")**  
**A BVI Business Company**  
**with BVI Company Number 1416870**

**SHARE TRANSFER FORM**

We, Caesars Entertainment Operating Company, Inc. ("the **Transferor**"), for good and valuable consideration received by it from Pearl Dynasty Investments Limited ("the **Transferee**") of P.O. Box 957, Offshore Incorporations Centre, Road Town, British Virgin Islands, do hereby:

1. transfer to the Transferee the one (1) fully paid ordinary share in the Company (of no par value) (the "**Share**") standing in the Transferor's name in the Register of Members of the Company to hold unto the Transferee, its executors, administrators and assigns, subject to the several conditions on which the Transferor held the same at the time of execution of this Share Transfer Form; and
2. consents that the Transferor's name remains on the Register of Members of the Company until such time as the Company enters the Transferee's name in the Register of Members of the Company.

And the Transferee does hereby agree to take the Share subject to the same conditions.

This Share Transfer Form may be executed in counterparts each of which when executed and delivered shall constitute an original but all such counterparts together shall constitute one and the same instrument.

**As Witness Our Hands**

Signed by the Transferor on [Date]  
in the presence of:

\_\_\_\_\_  
Witness

\_\_\_\_\_  
For and on behalf of the Transferor  
**Caesars Entertainment Operating Company, Inc.,**  
[by its duly authorised director/Attorney]

Signed by the Transferee on [Date]  
in the presence of:

\_\_\_\_\_  
Witness

\_\_\_\_\_  
For and on behalf of the Transferee  
**Pearl Dynasty Investments Limited**  
[by its duly authorised director/Attorney in Fact]

**Exhibit B**  
**Form of Deeds of Waiver**

VLO Development Corporation  
P.O. Box 3321,  
Drake Chambers, Road Town,  
Tortola, the British Virgin Islands

VFC Development Corporation  
P.O. Box 3321,  
Drake Chambers, Road Town,  
Tortola, the British Virgin Islands

Macau Orient Investimentos, Limitada  
Avenida da Praia Grande, n° 517,  
Edifício Comercial Nam Tung,  
20º andar, em Macau

Ou Toi Investimento, Limitada  
Avenida da Praia Grande, n° 517,  
Edifício Comercial Nam Tung,  
20º andar, em Macau

Caesars Golfe Macau, S.A.  
Avenida da Praia Grande, n° 517,  
Edifício Comercial Nam Tung,  
20º andar, em Macau

[•] 2013

Dear Sirs

**CAESARS GOLF MACAU**

This Deed constitutes a Deed of Waiver as defined and referred to in the share purchase agreement entered into on [•] 2013 between Pearl Dynasty Investments Limited and Caesars Entertainment Operating Company, Inc. (the “**Agreement**”).

**1 Preliminary**

1.1 Words and expressions defined in the Agreement shall, unless the context otherwise requires, have the same meanings in this Deed.

**2 Waiver**

2.1 *[insert name of relevant Caesars Group company]* hereby irrevocably waives all and any rights it has to receive the amount of *[insert amount]* from *[insert name of relevant Group Company]* pursuant to *[insert agreement/arrangement between Caesars Group company and relevant Group Company]* (the “**Relevant Caesars Group Liability**”).

2.2 We hereby acknowledge and confirm that we have no rights, remedies or claims against each and all of the Group Companies relating to the Relevant Caesars Group Liability.

2.3 To the extent that any such claim or right of action exists or may exist, whether in law or in equity and whether or not presently known to any party or to the law, we hereby irrevocably waive such claim and release and forever discharge each of the Group Companies from all and any liability in respect of it.

**3 Governing law and arbitration**

3.1 This Deed shall be governed by and construed in accordance with Hong Kong law.

3.2 Any dispute, controversy or claim arising out of or connected with this Deed, or the breach, termination or invalidity thereof, including a dispute as to the validity or existence of this Deed and/or this Clause 3.2, shall be settled by final and binding arbitration in Hong Kong in English under the Hong Kong International Arbitration Centre Administered Arbitration Rules in force when the Notice of Arbitration is submitted in accordance with such rules before a panel of three arbitrators with each Party appointing one arbitrator and the two arbitrators thus appointed shall choose the third arbitrator who will act as the presiding arbitrator of the Tribunal. The place of arbitration shall be at the Hong Kong International Arbitration Centre.

**In witness** whereof this Deed has been signed as a deed on the date stated at the beginning of this Deed.

SIGNED as a DEED by *[insert name of relevant Caesars Group Company]* acting by ..... (a director) in the presence of:

Witness's signature

Name

Address

Occupation

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: August 9, 2013

By:

/s/ GARY W. LOVEMAN

Gary W. Loveman

Chairman of the Board, Chief Executive Officer, and President



I, Donald A. Colvin, 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: August 9, 2013

By: \_\_\_\_\_ /s/ Donald A. Colvin

**Donald A. Colvin**

**Executive Vice President and Chief Financial Officer**

**Certification of Principal Executive Officer**

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

- (i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2013 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 9, 2013

/s/ GARY W. LOVEMAN

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**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 June 30, 2013 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 9, 2013

/s/ Donald A. Colvin

---

**Donald A. Colvin**

**Executive Vice President and Chief Financial Officer**

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

**Supplemental Discussion of Caesars Entertainment Operating Company, Inc. Financial Information**

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 \$4,439.1 million face value of commercial mortgage-backed securities ("CMBS") financing. Therefore, we believe it is meaningful to provide information pertaining solely to the consolidated financial position and results of operations of CEOC and its subsidiaries.

**Operating Results for CEOC*****Overall CEOC Results***

The following tables represent CEOC's Consolidated Condensed Balance Sheets as of June 30, 2013 and December 31, 2012 and its Consolidated Condensed Statements of Operations for the quarter and six months ended June 30, 2013 and 2012, and Consolidated Condensed Statements of Cash Flows for the six months ended June 30, 2013 and 2012.

On November 2, 2012, we sold the Harrah's St. Louis casino, in the fourth quarter 2012, we began discussions with interested investors regarding a sale of the subsidiaries that hold a land concession in Macau (the "Macau Subsidiaries") and in the first quarter 2013, we permanently closed our Alea Leeds casino in England. As a result of the above activities, the assets and liabilities of the Macau Subsidiaries are classified as held for sale as of June 30, 2013 and December 31, 2012, and the results of operations and cash flows of Harrah's Maryland Heights, LLC, owner of the Harrah's St. Louis casino, the Macau Subsidiaries, and the Alea Leeds casino are classified as discontinued operations for the quarter and six months ended June 30, 2013 and 2012.

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

	June 30, 2013	December 31, 2012
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,383.0	\$ 1,547.5
Restricted cash	29.5	793.2
Receivables, net of allowance for doubtful accounts of \$170.0 and \$168.7	411.2	533.5
Deferred income taxes	106.0	94.0
Prepayments and other current assets	147.5	92.2
Inventories	33.7	38.8
Assets held for sale	5.4	5.1
Total current assets	2,116.3	3,104.3
Property and equipment, net	10,599.3	10,776.5
Goodwill	1,389.2	1,403.7
Intangible assets other than goodwill	3,290.9	3,362.3
Investments in and advances to non-consolidated affiliates	186.8	101.0
Restricted cash	188.7	307.4
Deferred charges and other	539.3	528.5
Assets held for sale	441.1	471.2
	<u>\$ 18,751.6</u>	<u>\$ 20,054.9</u>
<b>Liabilities and Stockholder's Deficit</b>		
Current liabilities		
Accounts payable	\$ 290.1	\$ 325.2
Interest payable	290.3	236.0
Accrued expenses	699.2	769.3
Current portion of long-term debt	180.2	876.3
Liabilities held for sale	3.6	3.8
Total current liabilities	1,463.4	2,210.6
Long-term debt	17,402.6	16,731.3
Notes payable to affiliate	285.4	516.4
Deferred credits and other	709.6	777.9
Deferred income taxes	2,362.6	2,724.6
Liabilities held for sale	49.6	52.1
	<u>22,273.2</u>	<u>23,012.9</u>
Total CEOC stockholder's deficit	(3,597.4)	(3,000.2)
Non-controlling interests	75.8	42.2
Total deficit	<u>(3,521.6)</u>	<u>(2,958.0)</u>
	<u>\$ 18,751.6</u>	<u>\$ 20,054.9</u>

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

	Quarter Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
<b>Revenues</b>				
Casino	\$ 1,136.5	\$ 1,247.1	\$ 2,348.7	\$ 2,564.0
Food and beverage	256.0	253.7	512.5	508.1
Rooms	199.6	198.1	382.5	389.3
Management fees	17.2	12.3	27.8	21.9
Other	177.6	115.4	344.8	241.7
Less: casino promotional allowances	(203.4)	(218.4)	(414.9)	(440.8)
Net revenues	1,583.5	1,608.2	3,201.4	3,284.2
<b>Operating expenses</b>				
Direct				
Casino	676.0	738.5	1,370.6	1,501.6
Food and beverage	107.8	103.9	213.7	205.2
Rooms	49.1	48.4	92.6	92.7
Property, general, administrative, and other	399.4	335.4	798.9	688.0
Depreciation and amortization	110.5	135.8	237.7	276.1
Write-downs, reserves, and project opening costs, net of recoveries	11.7	5.8	18.9	20.0
Intangible and tangible asset impairment charges	80.3	33.0	100.3	207.0
Loss on interests in non-consolidated affiliates	15.7	3.2	18.7	10.8
Corporate expense	32.6	32.5	64.7	76.8
Acquisition and integration costs	5.6	0.9	17.4	0.9
Amortization of intangible assets	22.9	27.2	45.9	51.3
Total operating expenses	1,511.6	1,464.6	2,979.4	3,130.4
Income from operations	71.9	143.6	222.0	153.8
Interest expense, net of interest capitalized	(523.5)	(475.6)	(1,077.0)	(1,014.1)
Loss on early extinguishments of debt	(0.1)	—	(36.8)	—
Gain on partial sale of subsidiary	44.1	—	44.1	—
Other income, including interest income	6.5	6.7	10.3	14.4
Loss from continuing operations before income taxes	(401.1)	(325.3)	(837.4)	(845.9)
Benefit for income taxes	141.6	128.8	410.7	312.5
Loss from continuing operations, net of income taxes	(259.5)	(196.5)	(426.7)	(533.4)
<b>Discontinued operations</b>				
Loss from discontinued operations	(0.3)	(84.4)	(44.2)	(70.2)
Benefit/(provision) for income taxes	—	3.9	2.8	(3.0)
Loss from discontinued operations, net of income taxes	(0.3)	(80.5)	(41.4)	(73.2)
Net loss	(259.8)	(277.0)	(468.1)	(606.6)
Less: net income attributable to non-controlling interests	(2.2)	(1.7)	(4.8)	(1.0)
Net loss attributable to CEOC	\$ (262.0)	\$ (278.7)	\$ (472.9)	\$ (607.6)

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

	Six Months Ended June 30,	
	2013	2012
Cash flows used in operating activities	\$ (335.6)	\$ (236.6)
Cash flows from investing activities		
Acquisitions of property and equipment, net of change in related payables	(295.6)	(159.4)
Change in restricted cash	882.4	133.2
Proceeds from partial sale of subsidiary, net of cash deconsolidated	50.4	—
Payments to acquire business, net of transaction costs and cash acquired	—	15.2
Investments in/advances to non-consolidated affiliates	(5.1)	(13.9)
Other	(4.7)	(0.5)
Cash flows provided/(used in) by investing activities	627.4	(25.4)
Cash flows from financing activities		
Proceeds from the issuance of long-term debt	1,589.5	1,681.6
Debt issuance costs and fees	(47.3)	(31.9)
Borrowings under lending agreements	—	453.0
Repayments under lending agreements	—	(608.0)
Cash paid for early extinguishments of debt	(1,785.6)	(1,325.5)
Scheduled debt retirements	(7.1)	(9.0)
Purchase of additional interests in subsidiary	—	(9.6)
Contributions from non controlling interest owners	35.3	—
Intercompany note borrowings, net of repayments	(231.0)	153.5
Other	(10.4)	(11.1)
Cash flows (used in)/provided by financing activities	(456.6)	293.0
Cash flows from discontinued operations		
Net cash flows from operating activities	0.4	27.8
Net cash flows from investing activities	—	(2.5)
Net cash flows from financing activities	—	—
Cash flows provided by discontinued operations	0.4	25.3
Net (decrease)/increase in cash and cash equivalents	(164.4)	56.3
Change in cash classified as assets held for sale	(0.1)	0.9
Cash and cash equivalents, beginning of period	1,547.5	596.6
Cash and cash equivalents, end of period	\$ 1,383.0	\$ 653.8

## 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 June 30, 2013 or otherwise noted below), have been grouped into four regions as shown in the table below to facilitate discussion of the Company's operating results.

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

<sup>(a)</sup> Bill's Gamblin' Hall & Saloon temporarily closed in early February 2013 to accommodate the renovations into a boutique lifestyle hotel that includes a dayclub/nightclub. The renovated hotel and casino are expected to re-open as the Gansevoort Las Vegas in early 2014 and the dayclub/nightclub is expected to open in the first half of 2014.

<sup>(b)</sup> We have a 99.5% ownership interest in and manage this property.

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

<sup>(d)</sup> Managed.

<sup>(e)</sup> We have a 20% interest in Rock Ohio Caesars, LLC, which owns this property.

<sup>(f)</sup> On May 31, 2013, the Company sold 45% of its equity interest in Conrad Punta del Este and, as a result of this transaction, no longer consolidates its results, but instead accounts for it as an equity method investment. The results of Conrad Punta del Este are included in consolidated results through May 31, 2013 and the equity method income or loss is included in (loss)/income from operations beginning June 1, 2013.

<sup>(g)</sup> We operate this property and the province of Ontario owns the complex through the Ontario Lottery and Gaming Corporation.

<sup>(h)</sup> We own, operate, or manage nine 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.



## Consolidated Operating Results

(Dollars in millions)	Quarter Ended June 30,		Percent Favorable/ (Unfavorable)	Six Months Ended June 30,		Percent Favorable/ (Unfavorable)
	2013	2012		2013	2012	
Casino revenues	\$ 1,136.5	\$ 1,247.1	(8.9)%	\$ 2,348.7	\$ 2,564.0	(8.4)%
Net revenues	1,583.5	1,608.2	(1.5)%	3,201.4	3,284.2	(2.5)%
Income from operations	71.9	143.6	(49.9)%	222.0	153.8	44.3 %
Loss from continuing operations, net of income taxes	(259.5)	(196.5)	(32.1)%	(426.7)	(533.4)	20.0 %
Loss from discontinued operations, net of income taxes	(0.3)	(80.5)	99.6 %	(41.4)	(73.2)	43.4 %
Net loss attributable to CEOC	(262.0)	(278.7)	6.0 %	(472.9)	(607.6)	22.2 %
Operating margin*	4.5%	8.9%	(4.4) pts	6.9%	4.7%	2.2 pts

Casino revenues, net revenues, income from operations, and loss from continuing operations, net of income taxes for all periods presented in the table above exclude the results of the Harrah's St. Louis casino which was sold in November 2012, the results of Alea Leeds casino which was closed in March 2013 and the results of the subsidiaries that hold the Company's land concession in Macau, all of which are presented as discontinued operations.

\* Operating margin is calculated as income/(loss) from operations divided by net revenues.

### Quarter ended June 30, 2013 compared to June 30, 2012

#### Net Revenues

Net revenues were down slightly in the second quarter 2013 compared to the second quarter 2012. The decline in casino revenues of \$110.6 million, or 8.9%, was largely offset by increases in non-gaming revenues, coupled with lower promotional allowances. The decline in casino revenues was driven by lower overall visitation to our properties resulting from increased competition in Atlantic City and our other U.S. regional markets outside of Las Vegas and an elimination of marketing activities identified as less profitable. Additionally, in Las Vegas on a comparative basis, we experienced lower hold percentages (the portion of aggregate players' wagers that are retained by the casino as win ("hold")), partially offset by higher hold percentages in Atlantic City and other regional markets, which also contributed to lower casino revenues.

Consistent with the first quarter of 2013, net revenues in the second quarter dropped most significantly in Atlantic City due to continued competitive pressure in the region. Net revenues in Las Vegas continued to be negatively impacted by the construction activities related to the LINQ project, the ongoing renovation of The Quad Resort & Casino (the "Quad") and the closure of Bill's Gamblin' Hall & Saloon ("Bill's") in February 2013 for renovation. The renovated hotel and casino are expected to re-open as the Gansevoort Las Vegas in early 2014 and the dayclub/nightclub is expected to open in the first half of 2014.

On a consolidated basis, cash average daily room rates increased from \$101 in the second quarter 2012 to \$110 in 2013 as higher rates attributable to resort fees in Las Vegas and other properties in Nevada more than offset the lower rates in Atlantic City. Total occupancy percentage decreased 1.8 percentage points to 89% in the second quarter 2013 from 2012 due mainly to the disruption caused by construction activities related to the renovation of the Quad in Las Vegas.

Net revenues for our Managed properties increased \$71.2 million for the second quarter 2013 when compared to the second quarter 2012 due to new managed projects, including Horseshoe Cleveland (opened in May 2012), Horseshoe Cincinnati (opened in March 2013), ThistleDown Racino ("ThistleDown") (commenced video lottery terminal operations in April 2013) and the management company for Caesars Windsor, which we are now consolidating since increasing our ownership from 50% to 100% in June 2012. A large portion of these revenues represent reimbursable payroll expenses, which are presented on a gross basis as revenue and expense, thus resulting in no income from operations.

### *Income from Operations*

Second quarter 2013 income from operations decreased 71.7 million, or 49.9%, compared to the second quarter 2012. This was primarily due to non-cash intangible and tangible asset impairment charges of \$80.3 million in the second quarter 2013 compared to non-cash intangible asset impairment charges of \$33.0 million in the second quarter 2012. Aside from the change in impairment charges, income from operations decreased \$24.4 million due mainly to the income impact of lower net revenues and an increase in loss on interests in non-consolidated affiliates. These increases were partially offset by a \$25.3 million decrease in depreciation and amortization expense due to increasing numbers of assets becoming fully depreciated in 2013, an \$8.6 million reversal of a sales tax reserve related to the Nevada complimentary meals sales tax matter, which Caesars settled during the quarter, and decreases in expenses resulting from our cost-savings initiatives.

### *Net Loss*

Net loss attributable to CEOC decreased \$16.7 million, or 6.0%, in the second quarter 2013 from 2012. The decrease was due to a variety of factors, including an \$80.2 million favorable change in the loss from discontinued operations, net of income taxes, a gain of \$44.1 million related to the sale of 45% of Baluma S.A., which owns and operates the Conrad Punta Del Este Resort and Casino in Uruguay (the "Conrad") to Enjoy S.A. for total consideration of \$139.5 million, and an increase in the benefit for income taxes. These favorable changes were partially offset by a decrease in income from operations as described above, combined with a \$62.9 million increase in interest expense, net of interest capitalized. These factors are further described in "Other Factors Affecting Net Loss" that follows herein.

### ***Six months ended June 30, 2013 compared to June 30, 2012***

#### *Net Revenues*

Net revenues decreased \$82.8 million in the six months ended June 30, 2013 compared to the prior year due mainly to a \$215.3 million, or 8.4%, decrease in casino revenues, largely offset by increases in non-gaming revenues, coupled with lower promotional allowances. The decline in casino revenues was primarily due to lower gaming hold as compared to prior year and declines in overall visitation primarily related to continued competitive pressure, and the slow recovery from Hurricane Sandy which impacted Atlantic City in the first quarter 2013. Net revenues in Las Vegas were impacted by the continuing construction activity for the LINQ project, the ongoing renovation of the Quad, and the closure of Bill's in February 2013 for renovation, as well as lower hold.

On a consolidated basis, cash average daily room rates for the six months ended June 30, 2013 increased 4.4 percent from \$100 in 2012 to \$104 in 2013 primarily as a result of the March 2013 implementation of resort fees at our Nevada properties. Total occupancy percentage decreased 1.8 percentage points in the six months ended June 30, 2013 from 2012 due to declines in Atlantic City.

Net revenues for our Managed properties increased \$132.0 million from the prior year due mainly to new managed projects, including Horseshoe Cleveland (opened in May 2012), Horseshoe Cincinnati (opened in March 2013), ThistleDown (commenced video lottery terminal operations in April 2013) and the management company for Caesars Windsor, which we are now consolidating since increasing our ownership from 50% to 100% in June 2012. A large portion of these revenues represent reimbursable payroll expenses, which are presented on a gross basis as revenue and expense, thus resulting in no income from operations.

### *Income from Operations*

Income from operations for the six months ended June 30, 2013 increased \$68.2 million, or 44.3%, compared to the prior year. The increase was primarily due to a reduction in intangible and tangible asset impairment charges which totaled \$100.3 million in the six months ended June 30, 2013 compared to \$207.0 million in the six months ended June 30, 2012, as well as a \$38.4 million decrease in depreciation expense resulting from assets that became fully depreciated early in the first quarter 2013, decreases in direct expenses related to cost savings initiatives and the \$8.6 million reversal of a sales tax reserve as mentioned above. These factors were partially offset by an increase in property operating expenses related to reimbursable payroll expenses at our managed properties and the decrease in net revenues as discussed above.

## Net Loss

Net loss attributable to Caesars decreased \$134.7 million, or 22.2%, in the six months ended June 30, 2013 from 2012. The decrease was due mainly to the \$68.2 million increase in income from operations described above, a \$31.8 million favorable change in the loss from discontinued operations, net of income taxes, a gain of \$44.1 million related to the sale of 45% of Baluma S.A., which owns and operates the Conrad, and a \$98.2 million increase in the benefit for income taxes. Partially offsetting the impact of the above factors was a \$62.9 million increase in interest expense, net of interest capitalized, and a \$36.8 million unfavorable change in loss on early extinguishments of debt. These factors are further described in "Other Factors Affecting Net Loss" that follows herein.

## Regional Operating Results

### Las Vegas

(Dollars in millions)	Quarter Ended June 30,		Percent Favorable/ (Unfavorable)	Six Months Ended June 30,		Percent Favorable/ (Unfavorable)
	2013	2012		2013	2012	
Casino revenues	\$ 155.1	\$ 220.8	(29.8)%	\$ 374.1	\$ 455.8	(17.9)%
Net revenues	369.7	415.9	(11.1)%	783.1	837.2	(6.5)%
Income from operations	31.3	64.0	(51.1)%	82.0	128.9	(36.4)%
Operating margin*	8.5%	15.4%	(6.9) pts	10.5%	15.4%	(4.9) pts

\* Operating margin is calculated as income/(loss) from operations divided by net revenues.

### *Quarter ended June 30, 2013 compared to June 30, 2012*

Net revenues decreased \$46.2 million or 11.1%, in the second quarter 2013 compared to the prior year quarter, driven by declines in casino revenues, partially offset by increases in rooms and food and beverage revenues. Construction activities associated with the LINQ project and activities associated with the renovation of the Quad and the renovation-related closure of Bill's have also unfavorably impacted the net revenues in the region.

Casino revenues were down \$65.7 million, or 29.8%, in the second quarter 2013 compared to the prior year quarter due to weaker gaming volumes, a decline in hold percentage as well as the negative impact of the LINQ project mentioned above, while visitation remained flat.

However, food and beverage revenues increased \$16.5 million, or 16.3%, in the second quarter 2013 compared to the prior year quarter due to the addition of several new restaurant offerings such as Bacchanal Buffet and Nobu at Caesars Palace and Gordon Ramsay-branded restaurants at Caesars Palace and Planet Hollywood.

Hotel revenues increased \$6.4 million, or 5.7%, in the second quarter 2013 compared to the prior year, as the implementation of resort fees in March 2013, partially offset by a change in the mix of group business, led to an increase in cash average daily room rates from \$104 in 2012 to \$117 in 2013. However, the region's occupancy percentage declined 2.3 percentage points to 92% in 2013, primarily due to the disruption caused by construction activities related to the renovation of the Quad.

Overall, property operating expenses in the region decreased \$18.0 million in the second quarter 2013 compared to the prior year quarter largely due to a reversal of a sales tax reserve of \$6.4 million related to the Las Vegas properties share of the Nevada complimentary meals sales tax matter, which we settled during the quarter, as well as decreases in expenses attributable to our cost-savings initiatives, partially offset by an increase in variable costs associated with higher food and beverage revenues. Write-downs, reserves, and project opening costs, net of recoveries in the region increased as a result of additional remediation costs in 2013 when compared to 2012.

### *Six months ended June 30, 2013 compared to June 30, 2012*

Net revenues decreased \$54.1 million, or 6.5%, in the six months ended June 30, 2013 compared from 2012 due mainly to the casino revenue declines combined with the negative impact of the construction activities associated with the LINQ project and activities associated with the renovations of the Quad and Bill's. These declines were partially offset by an increase in food and beverage revenues.

Casino revenues were down \$81.7 million, or 17.9%, compared to the prior year due to weaker gaming volumes, a decline in hold percentage, flat visitation and the negative impact of the LINQ project mentioned above.

Food and beverage revenues increased \$31.2 million, or 15.5%, due to the addition of several new restaurant offerings such as Bacchanal Buffet and Nobu at Caesars Palace and Gordon Ramsay-branded restaurants at Caesars Palace and Planet Hollywood.

Hotel revenues increased \$2.4 million, or 1.1%, as the implementation of resort fees in March 2013 to an increase in cash average daily room rates from \$104 in 2012 to \$110 in 2013, partially offset by a change in the mix of group business. However, the region's occupancy percentage declined 1.3 percentage points to 92% in 2013, primarily due to the disruption caused by construction activities related to the Quad.

Overall, property operating expenses in the region declined as a result of decreases in costs attributable to our cost savings initiatives, the reversal of a sales tax reserve of \$6.4 million as discussed above, along with a decrease in depreciation expense as a result of assets becoming fully depreciated early in the first quarter. The impact of the above factors was partially offset by higher remediation costs when compared to 2012.

During 2012, we secured \$185.0 million in financing to fund the complete renovation of Bill's into a boutique lifestyle hotel that includes a dayclub/nightclub. The renovation 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. We 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. Bill's closed in early February 2013 to accommodate these renovations. The renovated hotel and casino are expected to re-open as the Gansevoort Las Vegas in early 2014 and the dayclub/nightclub is expected to open in the first half of 2014. Through June 30, 2013, \$16.1 million had been spent on this project, of which \$13.1 million was spent in 2013.

During 2011, we commenced construction on the LINQ, a dining, entertainment, and retail development located between the Flamingo casino and the Quad, on the east side of the Las Vegas Strip. The LINQ is scheduled to open at the end of 2013 and includes the construction of a 550-foot observation wheel, the High Roller, which is expected to open in the second quarter of 2014. Through June 30, 2013, \$389.2 million had been spent on this project, of which \$148.6 million was spent in 2013.

Atlantic City

(Dollars in millions)	Quarter Ended June 30,		Percent Favorable/ (Unfavorable)	Six Months Ended June 30,		Percent Favorable/ (Unfavorable)
	2013	2012		2013	2012	
Casino revenues	\$ 256.2	\$ 277.5	(7.7)%	\$ 490.4	\$ 558.7	(12.2)%
Net revenues	297.2	321.5	(7.6)%	563.8	638.5	(11.7)%
Income from operations	21.2	7.4	186.5 %	18.0	18.5	(2.7)%
Operating margin*	7.1%	2.3%	4.8 pts	3.2%	2.9%	0.3 pts

\* Operating margin is calculated as income/(loss) from operations divided by net revenues.

*Quarter ended June 30, 2013 compared to June 30, 2012*

Atlantic City continues to be affected by the continuing competitive environment which has caused a significant decline in visitation to the region's properties as compared to 2012. This traffic decline has contributed in overall revenue declines, partially offset by lower promotional allowances and improved gaming hold. Net revenues declined \$24.3 million, or 7.6%, in the second quarter 2013 compared to the prior year quarter, an improvement compared to our first quarter 2013 results in the region, which were largely affected by sharp visitation declines in the wake of Hurricane Sandy.

Operating expenses in the second quarter 2013 were lower than in 2012 as a result of a continued focus on controlling costs to align the cost structure with lower revenue levels, including more efficient marketing spending and other cost-savings initiatives, and lower depreciation expense.

*Six months ended June 30, 2013 compared to June 30, 2012*

In the six months ended June 30, 2013, Atlantic City continues to be affected by the continuing competitive pressure, the slow recovery from the effects of Hurricane Sandy and economic weakness in the region which has caused a significant decline in visitation to the region's properties, notably in the first quarter, as compared to 2012. As a result, net revenues in the region declined \$74.7 million, or 11.7%, compared to the prior year.

Overall, operating expenses in six months ended June 30, 2013 were also lower than in the prior year as a result of significant decreases in costs attributable to our cost savings initiatives and more efficient marketing spending.

We expect that the region will continue to be challenged as a result of the competitive pressures in the region. In response, we will continue to focus on controlling costs to align the cost structure with lower revenue levels.

Other U.S.

(Dollars in millions)	Quarter Ended June 30,		Percent Favorable/ (Unfavorable)	Six Months Ended June 30,		Percent Favorable/ (Unfavorable)
	2013	2012		2013	2012	
Casino revenues	\$ 643.0	\$ 656.3	(2.0)%	\$ 1,291.6	\$ 1,342.4	(3.8)%
Net revenues	709.4	719.7	(1.4)%	1,422.0	1,476.2	(3.7)%
Income from operations	35.1	106.0	(66.9)%	130.6	49.2	165.4 %
Operating margin*	4.9%	14.7%	(9.8) pts	9.2%	3.3%	5.9 pts

\* Operating margin is calculated as income/(loss) from operations divided by net revenues.

Quarter ended June 30, 2013 compared to June 30, 2012

Net revenue declines were attributable to lower visitation to the properties driven by competition within the regional markets and an elimination of marketing activities identified as less profitable, partially offset by improved hold. Income from operations decreased \$70.9 million, or 66.9%, primarily due to a \$79.3 million non-cash impairment charge related to land holdings in Mississippi, with no comparable impairment charges in the prior year quarter. A continued focus on controlling costs, coupled with a \$8.6 million decrease in depreciation expense and a \$2.1 million reversal of a sales tax reserve related to the Nevada complimentary meals sales tax matter, partially offset the impact of the above impairment charges.

Six months ended June 30, 2013 compared to June 30, 2012

Casino revenues declined during the six months ended June 30, 2013 as compared to the prior year due to lower visitation to the properties driven by competition within the regional markets and an elimination of marketing activities identified as less profitable. As a result, net revenues in the six months ended June 30, 2013 decreased \$54.2 million, or 3.7%, from 2012.

Property operating expenses in the six months ended June 30, 2013 were lower than in 2012 as a result of more focused marketing spend and cost decreases attributable to our cost savings initiatives. In addition, we recorded \$167.5 million of non-cash tangible asset impairment charges in the six months ended June 30, 2012 compared to \$102.4 million in 2013. As a result, income from operations in the six months ended 2013 increased \$81.4 million or 165.4%.

Managed, International, and Other

Managed properties include companies that operate three Indian-owned casinos, as well as Horseshoe Cleveland, Horseshoe Cincinnati (which opened in March 2013) and Caesars Windsor, and the results of Thistledown Racetrack through August 2012 when the racetrack was contributed to Rock Ohio Caesars, LLC, a joint venture in which Caesars holds a 20% ownership interest. Upon commencement of video lottery terminal operations in April 2013, the Managed region includes the results of the subsidiary that manages ThistleDown. International properties include the results of Caesars' international operations. On May 31, 2013, we sold 45% of our equity interest in the Conrad and, as a result of this transaction, no longer consolidate this International property's results, but instead account for it as an equity method investment. The table below includes the consolidated results of the Conrad through May 31, 2013 and the equity method income or loss in (loss)/income from operations beginning June 1, 2013. Other is comprised of revenues for services provided by CEOC to other Caesars affiliates, corporate expenses, including administrative, marketing and development costs, and income from certain non-consolidated affiliates.

In the fourth quarter 2012, we began discussions with interested parties with respect to a sale of the subsidiaries that holds our land concession in Macau. As a result of this plan of disposal, those assets and liabilities have been classified as held for sale at June 30, 2013 and December 31, 2012 and their operating results have been classified as discontinued operations for all periods presented and are excluded from the table below.

On March 4, 2013, we closed the Alea Leeds casino in England and its operating results have been classified as discontinued operations for all periods presented and are excluded from the table below.

(Dollars in millions)	Quarter Ended June 30,		Percent Favorable/ (Unfavorable)	Six Months Ended June 30,		Percent Favorable/ (Unfavorable)
	2013	2012		2013	2012	
<b>Net revenues</b>						
Managed	\$ 85.2	\$ 14.0	508.6 %	\$ 157.0	\$ 25.0	528.0 %
International	92.5	100.3	(7.8)%	216.6	230.7	(6.1)%
Other	29.6	36.9	(19.8)%	58.8	76.6	(23.2)%
<b>Total net revenues</b>	<b>\$ 207.3</b>	<b>\$ 151.2</b>	<b>37.1 %</b>	<b>\$ 432.4</b>	<b>\$ 332.3</b>	<b>30.1 %</b>
<b>Income/(loss) from operations</b>						
Managed	\$ 7.7	\$ 3.0	156.7 %	\$ 12.4	\$ 5.0	148.0 %
International	0.8	5.2	(84.6)%	22.5	26.9	(16.4)%
Other	(24.2)	(41.9)	42.2 %	(43.4)	(74.7)	41.9 %
<b>Total loss from operations</b>	<b>\$ (15.7)</b>	<b>\$ (33.7)</b>	<b>*</b>	<b>\$ (8.5)</b>	<b>\$ (42.8)</b>	<b>80.1 %</b>

\* Not meaningful

### *Managed*

Net revenues for our Managed properties increased \$71.2 million in the second quarter 2013 compared to the prior year quarter, primarily due to new managed projects, including Horseshoe Cleveland (opened in May 2012), Horseshoe Cincinnati (opened in March 2013), ThistleDown (commenced video lottery terminal operations in April 2013) and the management company for Caesars Windsor, the results of which have been consolidated into our financial statements since June 2012 when we increased our 50% ownership to 100%. A large portion of these revenues represent reimbursable payroll expenses, which are presented on a gross basis as revenue and expense, thus resulting in no income from operations.

Net revenues for our Managed properties in the six months ended June 30, 2013 increased \$132.0 million from the prior year, primarily due to new managed projects as mentioned above. A large portion of these revenues represent reimbursable payroll expenses that are presented on a gross revenue basis, resulting in an increase in revenues and an equally offsetting increase in operating expenses.

### *International*

During the second quarter 2013, we sold 45% of Baluma S.A., a subsidiary that owns and operates the Conrad, to Enjoy S.A. In connection with the transaction, Enjoy S.A. assumed control of the Baluma S.A. board and primary responsibility for management of the Conrad. Upon completion of the transaction, we deconsolidated Baluma S.A. from our financial statements and began accounting for Baluma S.A. as an investment in non-consolidated affiliates utilizing the equity method of accounting. This resulted in a decrease in net revenues in the second quarter 2013 compared to 2012. The decline in net revenues from the sale of the Conrad was slightly offset by an increase in net revenues at the London Clubs, despite declines in visitation. Income from operations declined primarily as a result of the Conrad transaction, while net revenue increases at the London Clubs were mostly offset by increases in variable costs at those properties.

Visitation to the London Clubs properties declined in the six months ended June 30, 2013 compared to the prior year due to competitive pressures which largely resulted in revenue declines for these casinos, combined with a decline in net revenues from the partial sale of the Conrad as described above. Property operating expenses in 2013 were lower than in 2012 as a result of decreases in costs attributable to our cost savings initiatives. As a result of the above, income from operations decreased \$4.4 million, or 16.4%.

## Other

Net revenues from our other businesses in the second quarter 2013 declined \$7.3 million, or 19.8%, compared to the second quarter 2012. Loss from operations for the second quarter 2013 decreased 17.7 million, or 42.2% compared to 2012, primarily as a result of \$33.0 million of intangible asset impairment charges in the second quarter 2012, with no comparable changes in 2013, partially offset by an increase in losses on interests in non-consolidated affiliates.

Net revenues from our other businesses in the first half 2013 declined \$17.8 million, or 23.2%, compared to the first half 2012. In the six months ended June 30, 2013, Loss from operations decreased \$31.3 million, or 41.9% due mainly to a decline in operating expenses driven by \$39.5 million of tangible and intangible asset impairments in the six months ended June 30, 2012 with no comparable charges in the six months ended June 30, 2013 and a decrease in corporate expenses of \$12.1 million resulting from lower stock-based compensation expense.

### Other Factors Affecting Net Loss

Expense/(income) (Dollars in millions)	Quarter Ended June 30,		Percent Favorable/ (Unfavorable)	Six Months Ended June 30,		Percent Favorable/ (Unfavorable)
	2013	2012		2013	2012	
Interest expense, net of interest capitalized	\$ 523.5	\$ 475.6	(10.1)%	1,077.0	1,014.1	(6.2)%
Loss on early extinguishments of debt	0.1	—	*	36.8	—	*
Gain on partial sale of subsidiary	(44.1)	—	*	(44.1)	—	*
Benefit for income taxes	(141.6)	(128.8)	9.9 %	(410.7)	(312.5)	(31.4)%
Loss from discontinued operations, net of income taxes	0.3	80.5	99.6 %	41.4	73.2	43.4 %

\* Not meaningful

### Interest Expense, Net of Interest Capitalized

Interest expense, net of interest capitalized, increased by \$47.9 million, or 10.1%, in the second quarter 2013, due primarily to higher interest rates as a result of the amendment and extension of the maturities of CEOC's debt combined with higher debt balances, compared to the year-ago quarter, partially offset by higher mark-to-market gains on derivatives in 2013.

Interest expense, net of interest capitalized in the six months ended June 30, 2013 increased \$62.9 million or 6.2% from 2012 due primarily to higher interest rates as a result of extending the maturities of our debt combined with higher debt balances compared to the year-ago period, partially offset by mark-to-market gains on derivatives in 2013 compared to losses in 2012. Interest expense for six months ended June 30, 2013 included \$69.3 million of gains due to changes in fair value for derivatives not designated as hedging instruments. Interest expense for six months ended June 30, 2012 included \$17.1 million of losses due to changes in fair value for derivatives not designated as hedging instruments.

### Loss on Early Extinguishments of Debt

There were no significant debt extinguishments during the second quarter 2013 or 2012.

During the six months ended June 30, 2013, we recognized a loss on early extinguishments of debt of \$36.8 million, primarily related to extinguishments of debt under the CEOC Credit Facilities. There were no significant early extinguishments of debt during the six months ended June 30, 2012.

### Gain on partial sale of subsidiary

In connection with the sale of 45% of Baluma S.A. to Enjoy, we recognized a gain of \$44.1 million. There was no comparable amount in the prior year.

### Benefit for Income Taxes

The effective tax rate for the quarter ended June 30, 2013 and 2012 was 35.3% and 39.6%, respectively. The effective rate benefit in the second quarter of 2013 was lower than 2012 primarily due to lower tax benefits from foreign operations.

The effective tax rate for the six months ended June 30, 2013 and 2012 was 49.0% and 36.9%, respectively. The effective rate benefit was primarily impacted by a discrete tax benefit from a capital loss resulting from a tax election made for U.S. federal income tax purposes during the first quarter but effective at the end of December 2012. In addition, the rate was favorably impacted by retroactive U.S. tax law changes which were enacted in January 2013.

### ***Loss from Discontinued Operations, Net of Income Taxes***

Loss from discontinued operations, net of income taxes improved significantly compared to the second quarter 2012, which included a \$101.0 million non-cash impairment charge related to the Macau land concession and \$14.1 million of income related to the Harrah's St. Louis casino with no comparable amounts recorded in the second quarter 2013.

Loss from discontinued operations, net of income taxes in the six months ended June 30, 2013 was \$41.4 million and included an adjustment to fair value that reduced the book value of our land concession in Macau by \$21.0 million, and charges totaling \$21.5 million for exit activities and the write-down of tangible and intangible assets related to the March 4, 2013 closure of the Alea Leeds casino. Loss from discontinued operations, net of income taxes in the six months ended June 30, 2012 was \$73.2 million and included \$25.7 million of income from operations related to the Harrah's St. Louis casino which was sold on November 2, 2012, \$96.4 million of loss from operations related to the land concessions in Macau, primarily comprised of a \$101.0 million non-cash tangible asset impairment charge and \$2.5 million of loss from operations related to the Alea Leeds casino.

## **Liquidity and Capital Resources**

### ***Cost Savings Initiatives***

Caesars Entertainment has undertaken comprehensive cost-reduction efforts to rightsize expenses with business levels. In accordance with our shared services agreement with Caesars Entertainment, we estimate that cost-savings programs produced \$47.9 million and 95.4 million in incremental cost savings for the second quarter and six months ended June 30, 2013, respectively, for CEOC compared to the same periods in 2012. Additionally, as of June 30, 2013, we expect that these and additional new cost-savings programs will produce additional annual cost savings of \$105.5 million, based on the full implementation of current projects that are in process. As we realize savings or identify new cost-reduction activities, this amount will 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. 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 the Harrah's St. Louis casino, we have been using and will continue 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 term loans under the senior secured credit facilities (the "Credit Facilities").

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 six months ended June 30, 2013 totaled \$295.6 million, net of a decrease of \$3.4 million of related payables. Estimated total capital expenditures for 2013 for CEOC, including 2013 expenditures associated with the LINQ project, the Bill's renovation, and other developments are expected to be between \$920 million and \$970 million which includes approximately \$300 million of 2013 project financing associated with the LINQ project, the Bill's renovation, and other developments for which we expect to obtain financing. Financing for the Horseshoe Baltimore project in Maryland was obtained and the development broke ground in July 2013 as further described in the "Liquidity and Capital Resources - Horseshoe Baltimore Financing" section below.



## ***Liquidity and Capital Resources***

Our cash and cash equivalents, excluding restricted cash, totaled \$1,383.0 million at June 30, 2013 compared to \$1,547.5 million at December 31, 2012. Restricted cash totaled \$218.2 million at June 30, 2013, consisting 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. Our operating cash inflows are typically used for operating expenses, debt service costs and working capital needs.

Our cash flows from operating, investing, and financing activities for the six months ended June 30, 2013 and 2012 associated with the Harrah's St. Louis casino, the Alea Leeds casino, and the subsidiaries that hold our land concession in Macau, which are defined as discontinued operations, are included in our Consolidated Condensed Statements of Cash Flows as cash flows from discontinued operations. We sold the Harrah's St. Louis casino on November 2, 2012, and the net proceeds generated from the sale are being used and will continue to be used to fund capital expenditures. Proceeds not used for capital expenditures are required to be used to purchase term loans under the Credit Facilities.

We are a highly leveraged company and a significant amount of our liquidity needs are for debt service. As of June 30, 2013, we had \$20,651.1 million face value of indebtedness outstanding, including capital lease indebtedness. Cash paid for interest for the six months ended June 30, 2013 was \$929.2 million. Payments of short-term debt obligations and payments of other commitments are expected to be made from operating cash flows and from borrowings under our established debt programs. Long-term obligations are expected to be paid through 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 June 30, 2013, our additional borrowing capacity under the credit facility was \$95.6 million. 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.

From time to time, depending upon market, pricing, and other conditions, as well as on our cash balances and liquidity, we may seek to acquire notes or other indebtedness of the Company through open market purchases, privately negotiated transactions, tender offers, redemption or otherwise, upon such terms and at such prices as we may determine (or as may be provided for in the indentures governing the notes), for cash or other consideration. In addition, we have considered and will continue to evaluate potential transactions to reduce net debt, such as debt for debt exchanges and other transactions. There can be no assurance as to which, if any, of these alternatives or combinations thereof we may choose to pursue in the future as the pursuit of any alternative will depend upon numerous factors such as market conditions, our financial performance, and the limitations applicable to such transactions under our financing documents.

Please refer to the Bond Offerings and Credit Facilities sections below, as well as the Capital Resources section that follows herein for details on our debt outstanding. This detail includes, among other things, a table presenting details on our individual borrowings outstanding as of June 30, 2013 and December 31, 2012, changes in our debt outstanding and certain changes in the terms of existing debt for the six months ended June 30, 2013. The Capital Resources section that follows herein also discusses the use of derivatives to manage the mix of our debt between fixed and variable rate instruments. The Debt Covenant Compliance section below details restrictive covenants related to certain of our borrowings.

### **Macau Land Concession**

On August 6, 2013, we, along with certain of our wholly-owned subsidiaries, entered into a share purchase agreement with Pearl Dynasty Investments Limited ("Pearl Dynasty"), pursuant to which the Company is selling to Pearl Dynasty its subsidiaries that hold its land concession in Macau for a purchase price of \$438.0 million subject to customary closing conditions. The Company expects to use the net proceeds from the sale, which are expected to be \$420.0 million, to fund CEOC capital expenditures or to repurchase certain outstanding debt obligations of CEOC. See Note 21, "Subsequent Events," of the Caesars Entertainment Quarterly Report on Form 10-Q for the period ended June 30, 2013 for further discussion.

### **Caesars Growth Partners**

Caesars Entertainment recently announced the transaction with respect to Caesars Growth Partners as further described in Note 4, "Proposed Strategic Transaction," of the Caesars Entertainment Quarterly Report on Form 10-Q for the period ended June 30, 2013.

### Credit Facilities

In connection with the Acquisition, we entered into the Credit Facilities. This financing is neither secured nor guaranteed by Caesars Entertainment's other direct, wholly-owned subsidiaries.

In January and February 2013, we converted \$133.9 million aggregate principal amount of original maturity revolver commitments held by consenting lenders to Term B-6 Loans and terminated \$133.9 million principal amount of revolving commitments of extending lenders.

In connection with the February 2013 notes offering described in the Bond Offerings section below, we received the requisite lenders' consent and entered into a bank amendment to our Credit Facilities to, among other things: (i) use the net cash proceeds of the February 2013 notes offering to repay a portion of our existing term loans as described in the Bond Offerings section below; (ii) obtain up to \$75.0 million of extended revolving facility commitments with a maturity of January 28, 2017, which received all required regulatory approvals in April 2013, (iii) increase the accordion capacity under the Credit Facilities by an additional \$650.0 million (which may be used to, among other things, establish extended revolving facility commitments under the Credit Facilities); (iv) modify the calculation of the senior secured leverage ratio for purposes of the maintenance test under the Credit Facilities to exclude the notes issued in February 2013; and (v) modify certain other provisions of the Credit Facilities.

As of June 30, 2013, our Credit Facilities provide for senior secured financing of up to \$4,633.4 million, consisting of (i) senior secured term loans in an aggregate principal amount of \$4,417.9 million, comprised of \$29.1 million maturing on January 28, 2015, \$965.0 million maturing on October 31, 2016, and \$3,423.8 million maturing on January 28, 2018, and (ii) a senior secured revolving credit facility in an aggregate principal amount of up to \$215.5 million, with \$109.4 million maturing January 28, 2014 and \$106.1 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 currently require scheduled quarterly payments of \$2.5 million, with the balance due at maturity. As of June 30, 2013, \$119.9 million of the revolving credit facility is committed to outstanding letters of credit. After consideration of the letter of credit commitments, \$95.6 million of additional borrowing capacity was available to us under our revolving credit facility as of June 30, 2013.

### CEOC Notes

#### *Issuances*

In December 2012, we completed the offering of \$750.0 million aggregate principal amount of 9.0% senior secured notes due 2020. On February 20, 2013, when the proceeds were released from escrow, we used \$350.0 million of the proceeds to repay a portion of the existing term loans under the Credit Facilities at par.

In February 2013, we completed the offering of \$1,500.0 million aggregate principal amount of 9.0% senior secured notes due 2020. On March 27, 2013, when the proceeds were released from escrow, we used \$1,433.3 million of the proceeds to repay a portion of the existing term loans under the Credit Facilities at par.

As a result of these repayments, we recognized a loss on early extinguishment of debt of \$29.4 million during the first quarter of 2013.

### Horseshoe Baltimore Financing

On July 2, 2013, CBAC Borrower, LLC ("CBAC"), a joint venture among Caesars Baltimore Investment Company, LLC (a wholly-owned indirect subsidiary of CEOC), Rock Gaming Mothership LLC, CVPR Gaming Holdings, LLC, STRON-MD Limited Partnership and PRT Two, LLC, entered into a credit agreement (the "Baltimore Credit Facility") in order to finance the acquisition of land in Baltimore, Maryland and the construction of the Horseshoe Baltimore and a garage (collectively, the "Baltimore Development").

The Baltimore Credit Facility provides for (i) a \$300.0 million senior secured term facility with a seven-year maturity, which is comprised of a \$225.0 million facility that was funded upon the closing of the Baltimore Credit Facility, a \$37.5 million delayed draw facility available from the closing of the Baltimore Credit Facility until the 12-month anniversary of the closing and a \$37.5 million delayed draw facility available until the 18-month anniversary of the closing and (ii) a \$10.0 million senior secured revolving facility with a five-year maturity. The Baltimore Credit Facility is secured by substantially all material assets of CBAC and its wholly-owned domestic subsidiaries.

Concurrently with the closing of the Baltimore Credit Facility, CBAC Borrower also entered into a term loan facility that provides for up to \$30.0 million of equipment financing (the "Baltimore FF&E Facility"). Under the Baltimore FF&E Facility, CBAC may use funds from the facility to finance or reimburse the purchase price and certain related costs of furniture, furnishings and equipment to be used in the Baltimore Development.

### 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, or cause an event of default. Specifically, the 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. After giving effect to the February 2013 bank amendment to the Credit Facilities discussed above, this ratio excludes \$3,700.0 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. For purposes of calculating the senior secured leverage ratio, the amount of senior first priority secured debt is reduced by the amount of unrestricted cash on hand. As of June 30, 2013, our senior secured leverage ratio was 4.33 to 1.0.

In addition, certain covenants contained in our senior secured credit facilities and indentures covering our first priority senior secured notes and second 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 June 30, 2013, our total first priority secured leverage ratio and consolidated leverage ratio were 7.29 to 1.0 and 13.60 to 1.0, respectively. For the twelve months ended June 30, 2013, our LTM Adjusted EBITDA-Pro Forma - CEOC Restricted was insufficient to cover fixed charges by \$600.0 million. For purposes of calculating the fixed charge coverage ratio, fixed charges includes consolidated interest expense less interest income and any cash dividends paid on preferred stock (other than amounts eliminated in consolidation). For purposes of calculating the total first priority secured leverage ratio and the consolidated leverage ratio, the amounts of first priority senior secured debt and consolidated total debt, respectively, are reduced by the amount of unrestricted cash on hand. The covenants that provide for the fixed charge coverage ratio, total first priority secured leverage ratio, and consolidated leverage ratio described in this paragraph are not maintenance covenants.

We are in compliance with our Credit Facilities and indentures, including the senior secured leverage ratio, as of June 30, 2013. In order to comply with the quarterly senior secured leverage ratio in the future, we will need to achieve a certain amount of LTM 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 we believe 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 Credit Facilities allow us to apply cash contributions we receive as an increase to LTM Adjusted EBITDA - Pro Forma - CEOC Restricted if we are unable to meet our senior secured leverage ratio. However, there is no guarantee that such contributions will be forthcoming.

Based upon our current operating forecast, as well as our ability to achieve one or more of the factors noted above, we believe that we will continue to be in compliance with the senior secured leverage ratio and meet our cash flow needs during the foreseeable future, including the next twelve months. If we are unable to maintain compliance with the senior secured leverage ratio and if we fail to remedy a default pursuant to the terms of our 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.

## Long-Term Debt

The following table presents our outstanding debt as of June 30, 2013 and December 31, 2012:

<u>Detail of Debt (dollars in millions)</u>	<u>Final Maturity</u>	<u>Rate(s) at June 30, 2013</u>	<u>Face Value at June 30, 2013</u>	<u>Book Value at June 30, 2013</u>	<u>Book Value at Dec. 31, 2012</u>
<b>Credit Facilities <sup>(a)</sup></b>					
Term Loans B1-B3	2015	3.19% - 3.28%	\$ 29.1	\$ 29.1	\$ 1,025.8
Term Loan B4	2016	9.50%	965.0	951.2	954.5
Term Loan B5	2018	4.44%	991.9	988.9	1,218.8
Term Loan B6	2018	5.44%	2,431.9	2,396.5	2,812.6
Revolving Credit Facility	2014	—	—	—	—
Revolving Credit Facility	2017	—	—	—	—
<b>Secured Debt</b>					
Senior Secured Notes <sup>(a)</sup>	2017	11.25%	2,095.0	2,063.2	2,060.2
Senior Secured Notes <sup>(a)</sup>	2020	8.50%	1,250.0	1,250.0	1,250.0
Senior Secured Notes <sup>(a)</sup>	2020	9.00%	3,000.0	2,951.9	1,486.9
Second-Priority Senior Secured Notes <sup>(a)</sup>	2018	12.75%	750.0	743.4	742.9
Second-Priority Senior Secured Notes <sup>(a)</sup>	2018	10.00%	4,553.1	2,339.6	2,260.2
Second-Priority Senior Secured Notes <sup>(a)</sup>	2015	10.00%	214.8	179.2	173.7
Chester Downs Senior Secured Notes	2020	9.25%	330.0	330.0	330.0
PHW Las Vegas Senior Secured Loan	2015 <sup>(c)</sup>	3.05%	513.2	460.4	438.2
Linq/Octavius Senior Secured Loan	2017	9.25%	450.0	446.8	446.5
Bill's Gamblin' Hall & Saloon Credit Facility	2019	11.00%	185.0	181.5	181.4
<b>Subsidiary-guaranteed Debt <sup>(b)</sup></b>					
Senior Notes	2016	10.75%	478.6	478.6	478.6
Senior PIK Toggle Notes	2018	10.75%-11.5%	13.9	13.9	13.2
<b>Unsecured Senior Debt <sup>(a)</sup></b>					
5.375%	2013	5.375%	125.2	121.2	116.6
7.0%	2013	7.00%	—	—	0.6
5.625%	2015	5.625%	791.8	689.0	666.2
6.5%	2016	6.50%	573.2	476.1	463.0
5.75%	2017	5.75%	538.8	407.1	395.9
Floating Rate Contingent Convertible Senior Notes	2024	0.57%	0.2	0.2	0.2
<b>Other Unsecured Borrowings</b>					
Special Improvement District Bonds	2037	5.30%	62.9	62.9	64.3
Note payable to Caesars Entertainment	2014	3.19%	285.4	285.4	516.4
Capitalized Lease Obligations	to 2017	3.57% - 11.0%	22.1	22.1	27.3
<b>Total debt</b>			<b>\$ 20,651.1</b>	<b>\$ 17,868.2</b>	<b>\$ 18,124.0</b>
Current portion of long-term debt			(197.7)	(180.2)	(876.3)
<b>Long-term debt</b>			<b>\$ 20,453.4</b>	<b>\$ 17,688.0</b>	<b>\$ 17,247.7</b>

<sup>(a)</sup> Guaranteed by Caesars Entertainment.

<sup>(b)</sup> Guaranteed by Caesars Entertainment and certain wholly-owned subsidiaries of CEOC

<sup>(c)</sup> Based on our ability and intent, assumes the exercise of extension options to move the maturity from 2013 to 2015, subject to certain conditions.

As of June 30, 2013 and December 31, 2012, book values are presented net of unamortized discounts of \$2,782.9 million and \$2,921.3 million, respectively.

### Current Portion of Long-Term Debt

Our current maturities of long-term debt include required interim principal payments on certain term loans under the Credit Facilities, the special improvement district bonds and capitalized lease obligations. The current portion of long-term debt also includes \$26.0 million of 10.0% second-priority senior secured notes due 2018, \$24.8 million of 10.0% second-priority senior secured notes due 2015 and \$125.2 million of 5.375% unsecured senior debt due 2013. Our current maturities exclude the PHW Las Vegas senior secured loan due in December 2013 based upon our ability and intent to exercise our option to extend the maturity to 2015.

The current portion of long-term debt at December 31, 2012 includes \$750.0 million of 9.0% notes issued in December 2012 pending satisfaction of certain escrow conditions. On February 20, 2013, the escrow conditions were satisfied and the debt obligation was re-classified to long-term.

### Revolving Credit Facility with Caesars

Caesars Entertainment Corporation has 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 \$1.0 billion outstanding at any time. The entire outstanding amount, plus any accrued and unpaid interest, matures on November 14, 2017, and bears interest at a rate per annum equal to LIBOR, as defined in the CEOC Credit Agreement, plus 3.0%. Interest is payable quarterly in arrears or, at CEOC's election such interest may be added to the loan balance owed to Caesars Entertainment. There was \$285.4 million outstanding under the agreement at June 30, 2013.

### 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 June 30, 2013 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 June 30, 2013 are as follows:

<u>Effective Date</u>	<u>Notional Amount (In millions)</u>	<u>Fixed Rate Paid</u>	<u>Variable Rate Received as of June 30, 2013</u>	<u>Next Reset Date</u>	<u>Maturity Date</u>
April 25, 2011	\$ 250.0	1.351%	0.193%	July 25, 2013	January 25, 2015
April 25, 2011	250.0	1.347%	0.193%	July 25, 2013	January 25, 2015
April 25, 2011	250.0	1.350%	0.193%	July 25, 2013	January 25, 2015
January 25, 2011	1,000.0	3.068%	0.193%	July 25, 2013	January 25, 2015
April 25, 2011	1,000.0	3.150%	0.193%	July 25, 2013	January 25, 2015
January 25, 2011	1,000.0	3.750%	0.193%	July 25, 2013	January 25, 2015
April 25, 2011	1,000.0	3.264%	0.193%	July 25, 2013	January 25, 2015
January 25, 2011	1,000.0	3.814%	0.193%	July 25, 2013	January 25, 2015

The variable rate on our interest rate swap agreements did not materially change as a result of the July 25, 2013 reset.

#### *Derivative Instruments – Other*

During the second quarter of 2012, we entered into a written put option (the "Option") for certain preferred equity interests. The potential future aggregate cash payments of \$13.9 million as of June 30, 2013 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 de minimis as of June 30, 2013.

Derivative Instruments – Impact on Consolidated Condensed Financial Statements

None of our derivative instruments are offset, and the fair values of assets and liabilities are recognized in the Consolidated Condensed Balance Sheets. The following table represents the fair values of derivative instruments in our Consolidated Condensed Balance Sheets as of June 30, 2013 and December 31, 2012:

(In millions)	Asset Derivatives				Liability Derivatives			
	June 30, 2013		December 31, 2012		June 30, 2013		December 31, 2012	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
<b>Derivatives not designated as hedging instruments</b>								
Interest rate swaps		\$ —		\$ —	Deferred credits and other	\$ (237.1)	Deferred credits and other	\$ (306.4)
Interest rate cap	Deferred charges and other	—		—				
<b>Total derivatives</b>		<u>\$ —</u>		<u>\$ —</u>		<u>\$ (237.1)</u>		<u>\$ (306.4)</u>

The following table represents the effect of derivative instruments in our Consolidated Condensed Statements of Operations for the quarters ended June 30, 2013 and 2012:

(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 June 30, 2013	Quarter Ended June 30, 2012		Quarter Ended June 30, 2013	Quarter Ended June 30, 2012		Quarter Ended June 30, 2013	Quarter Ended June 30, 2012
	<b>Derivatives designated as hedging instruments</b>							
Interest rate contracts	\$ —	\$ —	Interest expense	\$ —	\$ —	Interest expense	\$ —	\$ —

(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 June 30, 2013	Quarter Ended June 30, 2012		Quarter Ended June 30, 2013	Quarter Ended June 30, 2012
	<b>Derivatives not designated as hedging instruments</b>				
Interest rate contracts	\$ (45.5)	\$ (17.6)	Interest expense		

The following table represents the effect of derivative instruments in our Consolidated Condensed Statements of Operations for the six months ended June 30, 2013 and 2012:

(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)	
	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012		Six Months Ended June 30, 2013	Six Months Ended June 30, 2012		Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
	<b>Derivatives designated as hedging instruments</b>							
Interest rate contracts	\$ —	\$ —	Interest expense	\$ —	\$ —	Interest expense	\$ —	\$ —

(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	
	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012		Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
	<b>Derivatives not designated as hedging instruments</b>				
Interest rate contracts	\$ (69.3)	\$ 17.1	Interest expense		

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 ended June 30, 2013 and 2012 by \$42.8 million and \$42.2 million, respectively, and increased interest expense for the six months ended June 30, 2013 and 2012 by \$85.0 million and \$84.0 million, respectively.

At June 30, 2013, our fixed-rate debt, excluding \$5,750.0 million of variable-rate debt hedged using interest rate swap agreements, represents our total remaining debt, and our debt is no longer subject to variable rates.

#### **Guarantees of Third-Party Debt and Other Obligations and Commitments**

Material changes to our aggregate indebtedness are described in the "Liquidity and Capital Resources" section of this Exhibit 99.1. At June 30, 2013, our estimated interest payments for the rest of the year ended December 31, 2013 are \$951.0 million, for the years ended December 31, 2014 through 2017 are \$1,889.1 million, \$1,686.6 million, \$1,541.9 million and \$1,269.3 million, respectively, and our estimated interest payments thereafter are \$1,403.9 million.

As of June 30, 2013, there have been no material changes outside of the ordinary course of business to our other known contractual obligations, which were disclosed in the Supplemental Discussion of Caesars Entertainment Operating Company, Inc. Financial Information filed as Exhibit 99.1 to our Annual Report on Form 10-K for the year ended December 31, 2012, as amended.

**Supplemental Discussion of Caesars Entertainment's Commercial Mortgage-Backed Securities Related Properties Financial Information**

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.

**Operating Results for CMBS Properties*****Overall CMBS Properties Results***

The following tables represent CMBS Properties' Combined Condensed Balance Sheets as of June 30, 2013 and December 31, 2012, their Combined Condensed Statements of Operations for the quarters and six months ended June 30, 2013 and 2012, and their Combined Condensed Statements of Cash Flows for the six months ended June 30, 2013 and 2012.



**CMBS Properties**  
**Combined Condensed Balance Sheets**  
**(Unaudited)**  
**(In millions)**

	June 30, 2013	12/31/2012
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 171.7	\$ 126.7
Restricted cash	40.5	38.7
Receivables, net of allowance for doubtful accounts of \$30.4 and \$33.0	74.2	69.7
Deferred income taxes	7.1	10.4
Prepayments and other current assets	28.4	31.4
Inventories	12.6	13.3
Total current assets	334.5	290.2
Property and equipment, net	4,853.2	4,917.8
Goodwill	1,690.6	1,690.6
Intangible assets other than goodwill	452.1	481.7
Restricted cash	57.3	57.2
Deferred charges and other	70.4	90.2
<b>Total Assets</b>	<b>\$ 7,458.1</b>	<b>\$ 7,527.7</b>
<b>Liabilities and Stockholder's Equity</b>		
Current liabilities		
Accounts payable	\$ 34.3	\$ 42.5
Interest payable	7.4	7.1
Accrued expenses	200.6	132.6
Current portion of long-term debt	3.6	3.6
Due to affiliates, net	32.9	38.7
Total current liabilities	278.8	224.5
Long-term debt	4,421.2	4,665.5
Deferred credits and other	24.7	24.0
Deferred income taxes	1,497.9	1,516.9
	6,222.6	6,430.9
Total equity	1,235.5	1,096.8
<b>Total Liabilities and Stockholder's Equity</b>	<b>\$ 7,458.1</b>	<b>\$ 7,527.7</b>

**CMBS Properties**  
**Combined Condensed Statements of Operations**  
(Unaudited)  
(In millions)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
<b>Revenues</b>				
Casino	\$ 298.6	\$ 304.8	\$ 581.5	\$ 612.9
Food and beverage	130.1	131.6	253.7	259.2
Rooms	122.7	118.3	228.0	230.8
Other	50.2	48.4	94.1	92.8
Less: casino promotional allowances	(83.9)	(86.6)	(166.2)	(174.0)
Net revenues	517.7	516.5	991.1	1,021.7
<b>Operating expenses</b>				
<b>Direct</b>				
Casino	143.6	159.3	283.8	321.3
Food and beverage	61.8	65.9	121.0	126.3
Rooms	33.1	32.3	62.9	63.1
Property, general, administrative, and other	123.7	124.0	246.5	250.2
Depreciation and amortization	30.3	39.8	64.4	78.9
Write-downs and reserves, net of recoveries	3.8	2.1	17.2	4.1
Intangible and tangible asset impairment charges	24.4	—	24.4	—
Income on interests in non-consolidated affiliates	(2.2)	(0.1)	(2.7)	(0.5)
Corporate expense	11.4	16.4	25.2	40.3
Amortization of intangible assets	14.8	14.8	29.5	29.5
Total operating expenses	444.7	454.5	872.2	913.2
Income from operations	73.0	62.0	118.9	108.5
Interest expense, net of interest capitalized	(49.9)	(50.2)	(101.8)	(102.5)
Gains on early extinguishments of debt	39.0	32.7	39.0	78.5
Other income, including interest income	—	0.2	—	0.4
Income before income taxes	62.1	44.7	56.1	84.9
Provision for income taxes	(20.3)	(15.5)	(17.3)	(29.9)
Net income	\$ 41.8	\$ 29.2	\$ 38.8	\$ 55.0

**CMBS Properties**  
**Combined Condensed Statements of Cash Flows**  
(Unaudited)  
(In millions)

	Six Months Ended June 30,	
	2013	2012
Cash flows provided by operating activities	\$ 72.5	\$ 105.8
Cash flows from investing activities		
Acquisitions of property and equipment, net of change in related payables	(21.8)	(29.6)
Change in restricted cash	(1.9)	(18.8)
Other	(2.2)	(2.8)
Cash flows used in investing activities	(25.9)	(51.2)
Cash flows from financing activities		
Cash paid for early extinguishments of debt	(183.7)	(121.9)
Cash paid for loan maturity extension fees	(23.3)	—
Cash received from Caesars Entertainment for financing transactions	207.0	121.9
Other	(1.6)	—
Cash flows used in financing activities	(1.6)	—
Net increase in cash and cash equivalents	45.0	54.6
Cash and cash equivalents, beginning of period	126.7	151.2
Cash and cash equivalents, end of period	\$ 171.7	\$ 205.8
Cash paid for interest	\$ 83.6	\$ 81.9

## Combined Operating Results

(Dollars in millions)	Quarter Ended June 30,		Percentage Favorable/(Unfavorable)	Six Months Ended June 30,		Percentage Favorable/(Unfavorable)
	2013	2012		2013	2012	
Casino revenues	\$ 298.6	\$ 304.8	(2.0)%	\$ 581.5	\$ 612.9	(5.1)%
Net revenues	517.7	516.5	0.2 %	991.1	1,021.7	(3.0)%
Income from operations	73.0	62.0	17.7 %	118.9	108.5	9.6 %
Net income	41.8	29.2	43.2 %	38.8	55.0	(29.5)%
Operating margin*	14.1%	12.0%	2.1 pts	12.0%	10.6%	1.4 pts

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

### Quarter ended June 30, 2013 compared to June 30, 2012

Net revenues for the quarter ended June 30, 2013 increased slightly compared to the same period in 2012 as revenue increases at our properties in Las Vegas and Laughlin more than offset declines at our Harrah's Atlantic City ("HAC") property. HAC net revenues declined as a result of lower visitation due to continued competitive pressure in the Atlantic City market. Net revenues in Las Vegas, although higher than in the quarter ended June 30, 2012, were negatively impacted by the construction activities related to the LINQ project and we estimate that the construction activities reduced net revenues by approximately \$4 million to \$5 million for the quarter ended June 30, 2013.

Income from operations for the quarter ended June 30, 2013 rose \$11.0 million, or 17.7%, from 2012 as a result of decreases in property operating expenses, depreciation expense, and corporate expense. The decline in property operating expenses was due mainly to decreases in costs attributable to Caesars' cost-savings initiatives as well as a reversal of a sales tax reserve of \$8.9 million related to the Nevada complimentary meals sales tax matter, which Caesars settled during the quarter. Depreciation expense decreased as a result of an increasing number of assets becoming fully depreciated in 2013 and corporate expense decreased as a result of a reduction in management fees paid to Caesars in accordance with the CMBS Loan Agreement. Partially offsetting expense declines was a tangible asset impairment charge of \$24.4 million related to an investment in a real estate project that we own, related to investments of the Casino Reinvestment Development Authority ("CRDA"), a New Jersey state governmental agency responsible for directing the spending of casino reinvestment funds for the benefit of Atlantic City. Results for the quarter ended June 30, 2013, although favorable when compared to 2012, were negatively impacted by the construction activities related to the LINQ which we estimate reduced income from operations by approximately \$2 million to \$3 million.

### Six months ended June 30, 2013 compared to June 30, 2012

Net revenues for the six months ended June 30, 2013 were lower than in 2012, driven by casino revenues which were down \$31.4 million, or 5.1% compared to the same period in 2012. Net revenues dropped most significantly at Harrah's Atlantic City due to lower visitation attributable to competitive pressure in that market and the slow recovery from Hurricane Sandy which significantly negatively impacted visitation in the first quarter 2013. Net revenues in Las Vegas were negatively impacted by the construction activities related to the LINQ project and we estimate that the construction activities reduced net revenues for the six months ended June 30, 2013 by approximately \$13 million to \$15 million.

Income from operations increased \$10.4 million, or 9.6%, driven by decreases in property operating expenses, depreciation expense, and corporate expense for the reasons mentioned above. These decreases were partially offset by the income impact of lower net revenues, an increase in write-downs and reserves, net of recoveries resulting from additional remediation costs and other write-downs in 2013 when compared to 2012 and the \$24.4 million tangible asset impairment discussed above, with no comparable charge in the six months ended June 30, 2012. Income from operations for the first quarter 2013 was negatively impacted by the construction activities related to the LINQ project which we estimate reduced income from operations by approximately \$6 million to \$9 million.

## Other Factors Affecting Net Income

Expense/(income) (Dollars in millions)	Quarter Ended June 30,		Percentage Favorable/(Unfavorable)	Six Months Ended June 30,		Percentage Favorable/(Unfavorable)
	2013	2012		2013	2012	
Interest expense, net of interest capitalized	\$ 49.9	\$ 50.2	0.6 %	\$ 101.8	\$ 102.5	0.7 %
Gains on early extinguishments of debt	(39.0)	(32.7)	19.3 %	\$ (39.0)	(78.5)	(50.3)%
Provision for income taxes	20.3	15.5	(31.0)%	\$ 17.3	29.9	42.1 %

### *Gains on Early Extinguishments of Debt*

Gains on early extinguishments of debt during the quarters and six months ended June 30, 2013 and 2012 relate to amounts recognized as a result of purchase and sale agreements with certain lenders to acquire debt under the CMBS Financing. These events are discussed more fully in the "Liquidity and Capital Resources - Capital Resources - CMBS Financing" section that follows herein.

### *Effective Tax Rate*

The effective tax rate provision for the quarter ended June 30, 2013 and 2012 was 32.7% and 34.7%, respectively. The change in the effective tax rates between the quarters is due to (i) U.S. tax law changes which were enacted in January 2013 and (ii) a decrease in accrued interest on uncertain tax positions as a result of the removal of certain positions in the fourth quarter 2012.

The effective tax rate provision for the six months ended June 30, 2013 and 2012 was 30.8% and 35.2%, respectively. The change in the effective tax rates between the year to date amounts is due to (i) decreased pre-tax earnings in 2013, (ii) U.S. tax law changes which were enacted in January 2013, and (iii) a decrease in accrued interest on uncertain tax positions as a result of the removal of certain positions in the fourth quarter 2012.

## Liquidity and Capital Resources

### *Cost Savings Initiatives*

Caesars Entertainment has undertaken comprehensive cost-reduction efforts to rightsize expenses with business levels. In accordance with our shared services agreement with Caesars Entertainment, we estimate that cost-savings programs produced \$19.1 million and \$38.0 million in incremental cost savings for the quarter and six months ended June 30, 2013, respectively, for the CMBS Properties compared to the same periods in 2012. Additionally, as of June 30, 2013, we expect that these and additional new cost-savings programs will produce additional annual cost savings of \$42.9 million, based on the full implementation of current projects that are in process. As Caesars realizes savings or identifies new cost-reduction activities, this amount may 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. Cash used for capital expenditures in the normal course of business is typically made available from cash flows generated by our operating activities while cash used for development projects is typically funded from established debt programs, specific project financing, and additional debt offerings.

Future development projects could 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 would be 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 six months ended June 30, 2013 totaled \$21.8 million, net of an increase of \$0.8 million of related payables. Estimated total capital expenditures for 2013 for the CMBS Properties are expected to be between \$70 million and \$100 million.

## ***Liquidity***

Our cash and cash equivalents, excluding restricted cash, totaled \$171.7 million at June 30, 2013 compared to \$126.7 million at December 31, 2012. Restricted cash totaled \$97.8 million at June 30, 2013. Nearly all of the restricted cash consists of cash reserved under loan agreements for certain expenditures incurred in the normal course of business, such as interest service, real estate taxes, property insurance, and capital improvements.

Our operating cash inflows are typically used for operating expenses, debt service costs and working capital needs. 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.

The CMBS Properties are highly leveraged and a significant amount of our liquidity needs are for debt service. As of June 30, 2013, we had \$4,446.1 million face value of indebtedness outstanding including capital lease indebtedness. Payments of short-term debt obligations and other commitments are expected to be made from operating cash flows. Long-term obligations are expected to be paid through refinancing of debt or, if necessary, additional debt offerings.

From time to time, depending upon market, pricing, and other conditions, as well as on our cash balances and liquidity, we may seek to acquire our indebtedness through open market purchases, privately negotiated transactions, redemption or otherwise, upon such terms and at such prices as we may determine (or as may be provided for in our debt agreement), for cash or other consideration. In addition, we have considered and will continue to evaluate potential transactions to reduce net debt, such as debt for debt exchanges and other transactions. There can be no assurance as to which, if any, of these alternatives or combinations thereof we may choose to pursue in the future as the pursuit of any alternative will depend upon numerous factors such as market conditions, our financial performance, and the limitations applicable to such transactions under our financing documents.

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

Please refer to the "Capital Resources - CMBS Financing" and "Derivative Instruments" sections that follow herein for details on transactions related to our debt outstanding and related derivative.

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 our CMBS Financing agreements, and, if any of our lenders accelerate the repayment of borrowings, there can be no assurance that we will have sufficient assets to repay our indebtedness.

### ***Capital Resources - CMBS Financing and Open Market Purchases***

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.

In February 2013, we paid an extension fee of \$23.3 million and exercised the option to extend the maturity of the CMBS Financing to 2014. The loan contains an additional extension option to extend its maturity from 2014 to 2015, subject to certain conditions.

In June 2013, we purchased \$225.0 million of face value of CMBS debt for \$183.7 million, recognizing a pre-tax gain of \$39.0 million, net of deferred finance charges.

### ***Derivative Instruments***

As part of the extension disclosed above, we entered into a new interest rate cap agreement. The interest rate cap agreement, which is effective from February 13, 2013 and terminates February 13, 2015, is for a notional amount of \$4,664.1 million at a LIBOR cap rate of 4.5%. Any future changes in fair value of the interest rate cap will be recognized in interest expense during the period in which the changes in value occur.

### **Guarantees of Third-Party Debt and Other Obligations and Commitments**

As of June 30, 2013, there have been no material changes outside of the ordinary course of business to our aggregate indebtedness and other known contractual obligations, which are set forth in the table included in the Supplemental Discussion of Caesars Entertainment's Commercial Mortgage-Backed Securities Related Properties Financial Information filed as Exhibit 99.2 to our Annual Report on Form 10-K for the year ended December 31, 2012, as amended.