

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 March 31, 2019

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/> Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> Smaller reporting company	<input type="checkbox"/>
	<input type="checkbox"/> Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 April 30, 2019</u>
Common stock, \$0.01 par value	672,710,410

**CAESARS ENTERTAINMENT CORPORATION
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PART I—FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

**CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)**

<i>(In millions)</i>	March 31, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents (\$14 and \$14 attributable to our VIEs)	\$ 1,395	\$ 1,491
Restricted cash	119	115
Receivables, net	449	457
Due from affiliates, net	5	6
Prepayments and other current assets (\$4 and \$6 attributable to our VIEs)	184	155
Inventories	39	41
Total current assets	2,191	2,265
Property and equipment, net (\$169 and \$137 attributable to our VIEs)	15,922	16,045
Goodwill	4,044	4,044
Intangible assets other than goodwill	2,961	2,977
Restricted cash	52	51
Deferred income taxes	10	10
Deferred charges and other assets (\$32 and \$35 attributable to our VIEs)	856	383
Total assets	\$ 26,036	\$ 25,775
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable (\$69 and \$41 attributable to our VIEs)	\$ 411	\$ 399
Accrued expenses and other current liabilities (\$2 and \$1 attributable to our VIEs)	1,169	1,217
Interest payable	137	56
Contract liabilities	161	144
Current portion of financing obligations	21	20
Current portion of long-term debt	64	164
Total current liabilities	1,963	2,000
Financing obligations	9,990	10,057
Long-term debt	8,789	8,801
Deferred income taxes	692	730
Deferred credits and other liabilities (\$8 and \$5 attributable to our VIEs)	1,480	849
Total liabilities	22,914	22,437
Commitments and contingencies (Note 8)		
Stockholders' equity		
Caesars stockholders' equity	3,039	3,250
Noncontrolling interests	83	88
Total stockholders' equity	3,122	3,338
Total liabilities and stockholders' equity	\$ 26,036	\$ 25,775

See accompanying Notes to Consolidated Condensed Financial Statements.

CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(UNAUDITED)

<i>(In millions, except per share data)</i>	Three Months Ended March 31,	
	2019	2018
Revenues		
Casino	\$ 1,083	\$ 983
Food and beverage	398	383
Rooms	386	367
Other revenue	181	172
Management fees	15	15
Reimbursed management costs	52	52
Net revenues	<u>2,115</u>	<u>1,972</u>
Operating expenses		
Direct		
Casino	618	562
Food and beverage	269	264
Rooms	117	114
Property, general, administrative, and other	460	427
Reimbursable management costs	52	52
Depreciation and amortization	247	280
Corporate expense	83	82
Other operating costs	29	66
Total operating expenses	<u>1,875</u>	<u>1,847</u>
Income from operations	240	125
Interest expense	(349)	(330)
Other income/(loss)	(138)	184
Loss before income taxes	(247)	(21)
Income tax benefit/(provision)	29	(13)
Net loss	(218)	(34)
Net loss attributable to noncontrolling interests	1	—
Net loss attributable to Caesars	<u>\$ (217)</u>	<u>\$ (34)</u>
Loss per share - basic and diluted		
Basic and diluted loss per share	\$ (0.32)	\$ (0.05)
Weighted-average common shares outstanding	670	697
Comprehensive loss		
Foreign currency translation adjustments	\$ —	\$ 3
Change in fair market value of interest rate swaps, net of tax	(17)	4
Other	2	1
Other comprehensive income/(loss), net of income taxes	<u>(15)</u>	<u>8</u>
Comprehensive loss	<u>(233)</u>	<u>(26)</u>
Amounts attributable to noncontrolling interests:		
Foreign currency translation adjustments	2	(2)
Comprehensive (income)/loss attributable to noncontrolling interests	<u>3</u>	<u>(2)</u>
Comprehensive loss attributable to Caesars	<u>\$ (230)</u>	<u>\$ (28)</u>

See accompanying Notes to Consolidated Condensed Financial Statements.

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

Caesars Stockholders' Equity								
<i>(In millions)</i>	Common Stock	Treasury Stock	Additional Paid-in- Capital	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Total Caesars Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
Balance as of December 31, 2017	\$ 7	\$ (152)	\$ 14,040	\$ (10,675)	\$ 6	\$ 3,226	\$ 71	\$ 3,297
Net loss	—	—	—	(34)	—	(34)	—	(34)
Stock-based compensation	—	(12)	22	—	—	10	—	10
Other comprehensive income, net of tax	—	—	—	—	9	9	—	9
Change in noncontrolling interest, net of distributions and contributions	—	—	—	—	—	—	21	21
Other	—	(1)	—	—	—	(1)	—	(1)
Balance as of March 31, 2018	<u>\$ 7</u>	<u>\$ (165)</u>	<u>\$ 14,062</u>	<u>\$ (10,709)</u>	<u>\$ 15</u>	<u>\$ 3,210</u>	<u>\$ 92</u>	<u>\$ 3,302</u>
Balance as of December 31, 2018	\$ 7	\$ (485)	\$ 14,124	\$ (10,372)	\$ (24)	\$ 3,250	\$ 88	\$ 3,338
Net loss	—	—	—	(217)	—	(217)	(1)	(218)
Stock-based compensation	—	(5)	21	—	—	16	—	16
Other comprehensive loss, net of tax	—	—	—	—	(13)	(13)	(2)	(15)
Change in noncontrolling interest, net of distributions and contributions	—	—	—	—	—	—	(2)	(2)
Other	—	3	—	—	—	3	—	3
Balance as of March 31, 2019	<u>\$ 7</u>	<u>\$ (487)</u>	<u>\$ 14,145</u>	<u>\$ (10,589)</u>	<u>\$ (37)</u>	<u>\$ 3,039</u>	<u>\$ 83</u>	<u>\$ 3,122</u>

See accompanying Notes to Consolidated Condensed Financial Statements.

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

<i>(In millions)</i>	Three Months Ended March 31,	
	2019	2018
Cash flows provided by operating activities	\$ 255	\$ 22
Cash flows from investing activities		
Acquisitions of property and equipment, net of change in related payables	(218)	(85)
Proceeds from the sale and maturity of investments	5	16
Payments to acquire investments	(7)	(14)
Other	2	—
Cash flows used in investing activities	(218)	(83)
Cash flows from financing activities		
Debt issuance costs and fees	—	(1)
Repayments of long-term debt and revolving credit facilities	(116)	(16)
Proceeds from the issuance of common stock	—	3
Taxes paid related to net share settlement of equity awards	(5)	(12)
Financing obligation payments	(5)	(2)
Contributions from noncontrolling interest owners	—	20
Distributions to noncontrolling interest owners	(2)	—
Other	—	2
Cash flows used in financing activities	(128)	(6)
Net decrease in cash, cash equivalents, and restricted cash	(91)	(67)
Cash, cash equivalents, and restricted cash, beginning of period	1,657	2,709
Cash, cash equivalents, and restricted cash, end of period	\$ 1,566	\$ 2,642
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 231	\$ 247
Cash received/(paid) for income taxes	2	(2)
Non-cash investing and financing activities:		
Change in accrued capital expenditures	(7)	(2)

See accompanying Notes to Consolidated Condensed Financial Statements.

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

In this filing, the name “CEC” refers to the parent holding company, Caesars Entertainment Corporation, exclusive of its consolidated subsidiaries and variable interest entities, unless otherwise stated or the context otherwise requires. The words “Company,” “Caesars,” “Caesars Entertainment,” “we,” “our,” and “us” refer to Caesars Entertainment Corporation, inclusive of its consolidated subsidiaries and variable interest entities, unless otherwise stated or the context otherwise requires.

This Form 10-Q should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2018 (“2018 Annual Report”). Capitalized terms used but not defined in this Form 10-Q have the same meanings as in the 2018 Annual Report.

We also refer to (i) our Consolidated Condensed Financial Statements as our “Financial Statements,” (ii) our Consolidated Condensed Balance Sheets as our “Balance Sheets,” (iii) our Consolidated Condensed Statements of Operations and Comprehensive Loss as our “Statements of Operations,” and (iv) our Consolidated Condensed Statements of Cash Flows as our “Statements of Cash Flows.”

Note 1 — Description of Business

Organization

CEC is primarily a holding company with no independent operations of its own. Caesars Entertainment operates the business primarily through its wholly owned subsidiaries CEOC, LLC (“CEOC LLC”) and Caesars Resort Collection, LLC (“CRC”). Caesars Entertainment operates a total of 53 properties in 14 U.S. states and five countries outside of the U.S., including 49 casino properties. Nine casinos are in Las Vegas, which represented 45% of net revenues for the three months ended March 31, 2019.

We lease certain real property assets from VICI Properties Inc. and/or its subsidiaries (“VICI”).

Note 2 — Basis of Presentation and Principles of Consolidation

Basis of Presentation and Use of Estimates

The accompanying unaudited consolidated condensed financial statements of Caesars have been prepared under the rules and regulations of the Securities and Exchange Commission (the “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 2019 fiscal year.

GAAP requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities. Management believes the accounting estimates are appropriate and reasonably determined. Actual amounts could differ from those estimates.

Reportable Segments

We view each property as an operating segment and aggregate all such properties into three regionally-focused reportable segments: (i) Las Vegas, (ii) Other U.S., and (iii) All Other, which is consistent with how we manage the business. See Note 15.

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

Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported on the Balance Sheets that sum to amounts reported on the Statements of Cash Flows.

<i>(In millions)</i>	March 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 1,395	\$ 1,491
Restricted cash, current	119	115
Restricted cash, non-current	52	51
Total cash, cash equivalents, and restricted cash	<u>\$ 1,566</u>	<u>\$ 1,657</u>

Consolidation of Subsidiaries and Variable Interest Entities

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

We consolidate all subsidiaries in which we have a controlling financial interest and variable interest entities (“VIEs”) for which we or one of our consolidated subsidiaries is the primary beneficiary. Control generally equates to ownership percentage, whereby (i) affiliates that are more than 50% owned are consolidated; (ii) investments in affiliates of 50% or less but greater than 20% are generally accounted for using the equity method where we have determined that we have significant influence over the entities; and (iii) investments in affiliates of 20% or less are generally accounted for using the cost method.

We review our investments for VIE consideration if a reconsideration event occurs to determine if the investment continues to qualify as a VIE. If we determine an investment no longer qualifies as a VIE, a gain or loss may be recognized upon deconsolidation.

Consolidation of Korea Joint Venture

CEC has a joint venture to acquire, develop, own, and operate a casino resort project in Incheon, South Korea (the “Korea JV”). We determined that the Korea JV is a VIE and CEC is the primary beneficiary, and therefore, we consolidate the Korea JV into our financial statements.

Note 3 — Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board (the “FASB”) issued the following authoritative guidance amending the FASB Accounting Standards Codification (“ASC”).

In 2019, we adopted Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*, and all related amendments (see Note 7).

The following ASUs were not effective as of March 31, 2019:

Previously Disclosed

Collaborative Arrangements - ASU 2018-18: Amended guidance makes targeted improvements to GAAP for collaborative arrangements including: (i) clarifying that certain transactions between collaborative arrangement participants should be accounted for as revenue under ASC 606 when the collaborative arrangement participant is a customer in the context of a unit of account, (ii) adding unit-of-account guidance in ASC 808 to align with the guidance in ASC 606 (that is, a distinct good or service) when an entity is assessing whether the collaborative arrangement or a part of the arrangement is within the scope of ASC 606, and (iii) requiring that in a transaction with a collaborative arrangement participant that is not directly related to sales to third parties, presenting the transaction together with revenue recognized under ASC 606 is precluded if the collaborative arrangement participant is not a customer. The amendments in this update are effective for public entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The amendments should be applied retrospectively to the date of initial application of ASC 606. An entity may elect to apply the amendments in this ASU retrospectively either to all contracts or only to contracts that are not completed at the date of initial application of ASC 606. An entity should disclose its election. An entity may elect to apply the practical expedient for contract modifications that is permitted for entities using the modified retrospective transition method in ASC 606. We are currently assessing the effect the adoption of this standard will have on our financial statements.

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

Intangibles - Goodwill and Other - Internal-Use Software - ASU 2018-15: Amended guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The accounting for the service element of a hosting arrangement that is a service contract is not affected. The amendments in this update are effective for public entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The amendments in this ASU should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. We are currently assessing the effect the adoption of this standard will have on our financial statements.

Fair Value Measurement - ASU 2018-13: Amended guidance modifies fair value measurement disclosure requirements including (i) removing certain disclosure requirements such as the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, (ii) modifying certain disclosure requirements, and (iii) adding certain disclosure requirements such as changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period. The amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. We are currently assessing the effect the adoption of this standard will have on our financial statements.

Financial Instruments - Credit Losses - ASU 2016-13 (amended through April 2019): Amended guidance replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Amendments affect entities holding financial assets and net investments in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables and any other financial assets not excluded from the scope that have the contractual right to receive cash. Amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. An entity will apply the amendments in this ASU through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. The effect of a prospective transition approach is to maintain the same amortized cost basis before and after the effective date of this ASU. We are currently assessing the effect the adoption of this standard will have on our financial statements.

Note 4 — Property and Equipment

<i>(In millions)</i>	March 31, 2019	December 31, 2018
Land	\$ 4,774	\$ 4,871
Buildings, riverboats, and leasehold and land improvements	12,253	12,243
Furniture, fixtures, and equipment	1,621	1,563
Construction in progress	537	406
Total property and equipment	19,185	19,083
Less: accumulated depreciation	(3,263)	(3,038)
Total property and equipment, net	\$ 15,922	\$ 16,045

Our property and equipment is subject to various operating leases for which we are the lessor. We lease our property and equipment related to our hotel rooms, convention space and retail space through various short-term and long-term operating leases. See Note 7 for further discussion of our leases.

Depreciation Expense and Capitalized Interest

<i>(In millions)</i>	Three Months Ended March 31,	
	2019	2018
Depreciation expense	\$ 229	\$ 264
Capitalized interest	5	2

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

Note 5 — Goodwill and Other Intangible Assets

Changes in Carrying Value of Goodwill and Other Intangible Assets

<i>(In millions)</i>	Amortizing Intangible Assets	Non-Amortizing Intangible Assets	
		Goodwill	Other
Balance as of December 31, 2018	\$ 342	\$ 4,044	\$ 2,635
Amortization	(18)	—	—
Other	—	—	2
Balance as of March 31, 2019	<u>\$ 324</u>	<u>\$ 4,044</u>	<u>\$ 2,637</u>

Gross Carrying Value and Accumulated Amortization of Intangible Assets Other Than Goodwill

<i>(Dollars in millions)</i>	March 31, 2019				December 31, 2018		
	Weighted Average Remaining Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets							
Trade names and trademarks	1.8	\$ 14	\$ (4)	\$ 10	\$ 14	\$ (3)	\$ 11
Customer relationships	4.2	1,071	(772)	299	1,071	(756)	315
Contract rights	5.8	3	(2)	1	3	(2)	1
Gaming rights and other	5.3	43	(29)	14	43	(28)	15
		<u>\$ 1,131</u>	<u>\$ (807)</u>	324	<u>\$ 1,131</u>	<u>\$ (789)</u>	342
Non-amortizing intangible assets							
Trademarks				790			790
Gaming rights				1,594			1,592
Caesars Rewards				253			253
				<u>2,637</u>			<u>2,635</u>
Total intangible assets other than goodwill				<u>\$ 2,961</u>			<u>\$ 2,977</u>

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

Note 6 — 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 the date shown:

Estimated Fair Value

<u>(In millions)</u>	<u>Balance</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
March 31, 2019				
Assets				
Government bonds	\$ 16	\$ —	\$ 16	\$ —
Derivative instruments - interest rate swaps	1	—	1	—
Total assets at fair value	\$ 17	\$ —	\$ 17	\$ —
Liabilities				
Derivative instruments - interest rate swaps	\$ 38	\$ —	\$ 38	\$ —
Derivative instruments - CEC Convertible Notes	486	—	486	—
Disputed claims liability	44	—	44	—
Total liabilities at fair value	\$ 568	\$ —	\$ 568	\$ —
December 31, 2018				
Assets				
Government bonds	\$ 15	\$ —	\$ 15	\$ —
Derivative instruments - interest rate swaps	6	—	6	—
Total assets at fair value	\$ 21	\$ —	\$ 21	\$ —
Liabilities				
Derivative instruments - interest rate swaps	\$ 22	\$ —	\$ 22	\$ —
Derivative instruments - CEC Convertible Notes	324	—	324	—
Disputed claims liability	45	—	45	—
Total liabilities at fair value	\$ 391	\$ —	\$ 391	\$ —

Government Bonds

Investments primarily consist of debt securities held by our captive insurance entities that are traded in active markets, have readily determined market values, and have maturity dates of greater than three months from the date of purchase. These investments primarily represent collateral for several escrow and trust agreements with third-party beneficiaries and are recorded in Deferred charges and other assets while a portion is included in Prepayments and other current assets in our Balance Sheets.

Derivative Instruments

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

CEC Convertible Notes - Derivative Liability

On October 6, 2017, CEC issued \$1.1 billion aggregate principal amount of 5.00% convertible senior notes maturing in 2024 (the “CEC Convertible Notes”) pursuant to the Indenture, dated as of October 6, 2017.

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

The CEC Convertible Notes are convertible at the option of holders into a number of shares of CEC common stock that is equal to approximately 0.139 shares of CEC common stock per \$1.00 principal amount of CEC Convertible Notes, which is equal to an initial conversion price of \$7.19 per share. If all the shares were issued on October 6, 2017, they would have represented approximately 17.9% of the shares of CEC common stock outstanding on a fully diluted basis. The holders of the CEC Convertible Notes can convert them at any time after issuance. CEC can convert the CEC Convertible Notes beginning in October 2020 if the last reported sale price of CEC common stock equals or exceeds 140% of the conversion price for the CEC Convertible Notes in effect on each of at least 20 trading days during any 30 consecutive trading day period. As of March 31, 2019, an immaterial amount of the CEC Convertible Notes were converted into shares of CEC common stock. An aggregate of 156 million shares of CEC common stock are issuable upon conversion of the CEC Convertible Notes, of which 151 million shares are net of amounts held by CEC. As of March 31, 2019, the remaining life of the CEC Convertible Notes is 5.5 years.

Management analyzed the conversion features for derivative accounting consideration under ASC Topic 815, *Derivatives and Hedging*, (“ASC 815”) and determined that the CEC Convertible Notes contain bifurcated derivative features and qualify for derivative accounting. In accordance with ASC 815, CEC has bifurcated the conversion features of the CEC Convertible Notes and recorded a derivative liability. The CEC Convertible Notes derivative features are not designated as hedging instruments. The derivative features of the CEC Convertible Notes are carried on CEC’s Balance Sheet at fair value in Deferred credits and other liabilities. The derivative liability is marked-to-market each measurement period and the changes in fair value of a loss of \$162 million and income of \$160 million, respectively, were recorded as components of Other income/(loss) for the three months ended March 31, 2019 and 2018 in the Statements of Operations. The derivative liability associated with the CEC Convertible Notes will remain in effect until such time as the underlying convertible notes are exercised or terminated and the resulting derivative liability will be transitioned from a liability to equity as of such date.

Valuation Methodology

The CEC Convertible Notes have a face value of \$1.1 billion, a term of 7 years, and a coupon rate of 5%.

As of March 31, 2019 and December 31, 2018, we estimated the fair value of the CEC Convertible Notes using a market-based approach that incorporated the value of both the straight debt and conversion features of the notes. The valuation model incorporated actively traded prices of the CEC Convertible Notes as of the reporting date, the value of CEC’s equity into which these notes could convert, and assumptions regarding the incremental cost of borrowing for CEC. Since the key assumption used in the valuation model is the actively traded price of CEC Convertible Notes but the incremental cost of borrowing is an unobservable input, the fair value for the conversion features of the CEC Convertible Notes was classified as Level 2.

Key Assumptions as of March 31, 2019 and December 31, 2018:

- Actively traded price of CEC Convertible Notes - \$143.01 and \$122.38, respectively
- Incremental cost of borrowing - 6.0% and 7.0%, respectively

Interest Rate Swap Derivatives

We use interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. As of March 31, 2019, we have entered into a total of ten interest rate swap agreements for notional amounts totaling \$3.0 billion to fix the interest rate on variable rate debt. The interest rate swaps are designated as cash flow hedging instruments.

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The major terms of the interest rate swap agreements as of March 31, 2019 are as follows:

Effective Date	Notional Amount (In millions)	Fixed Rate Paid	Variable Rate Received as of March 31, 2019	Maturity Date
12/31/2018	250	2.274%	2.493%	12/31/2022
12/31/2018	200	2.828%	2.493%	12/31/2022
12/31/2018	600	2.739%	2.493%	12/31/2022
1/1/2019	250	2.153%	2.493%	12/31/2020
1/1/2019	250	2.196%	2.493%	12/31/2021
1/1/2019	400	2.788%	2.493%	12/31/2021
1/1/2019	200	2.828%	2.493%	12/31/2022
1/2/2019	250	2.172%	2.493%	12/31/2020
1/2/2019	200	2.731%	2.493%	12/31/2020
1/2/2019	400	2.707%	2.493%	12/31/2021

Valuation Methodology

The estimated fair values of our interest rate swap 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. The interest rate swap derivative instruments are included in either Deferred charges and other assets or Deferred credits and other liabilities on our Balance Sheets. Our derivatives are recorded at their fair values, adjusted for the credit rating of the counterparty if the derivative is an asset, or adjusted for the credit rating of the Company if the derivative is a liability. None of our derivative instruments are offset and all were classified as Level 2.

Financial Statement Impact

The effect of derivative instruments designated as hedging instruments on the Balance Sheet for amounts transferred into Accumulated other comprehensive income/(loss) ("AOCI") before tax was a loss of \$21 million and a gain of \$5 million, respectively, during the three months ended March 31, 2019 and 2018. The effect of derivative instruments reclassified from AOCI to Interest expense on the Statements of Operations were immaterial and zero, respectively, for the three months ended March 31, 2019 and 2018. The estimated amount of existing losses that are reported in AOCI at the reporting date that are expected to be reclassified into earnings within the next 12 months is approximately \$6 million.

Accumulated Other Comprehensive Income/(Loss)

The changes in AOCI by component, net of tax, for the three months ended March 31, 2019 and 2018 are shown below.

<i>(In millions)</i>	Unrealized Net Gains/(Losses) on Derivative Instruments	Foreign Currency Translation Adjustments	Other	Total
Balances as of December 31, 2017	\$ —	\$ 9	\$ (3)	\$ 6
Other comprehensive income before reclassifications	4	1	4	9
Total other comprehensive income, net of tax	4	1	4	9
Balances as of March 31, 2018	\$ 4	\$ 10	\$ 1	\$ 15
Balances as of December 31, 2018	\$ (13)	\$ (9)	\$ (2)	\$ (24)
Other comprehensive income/(loss) before reclassifications	(17)	2	2	(13)
Total other comprehensive income/(loss), net of tax	(17)	2	2	(13)
Balances as of March 31, 2019	\$ (30)	\$ (7)	\$ —	\$ (37)

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Disputed Claims Liability

CEC and Caesars Entertainment Operating Company, Inc. (“CEOC”) deposited cash, CEC common stock, and CEC Convertible Notes into an escrow trust to be distributed to satisfy certain remaining unsecured claims (excluding debt claims) as they become allowed (see Note 8). We have estimated the fair value of the remaining liability of those claims. Based on the valuation methodology of the CEC Convertible Notes (see above), the fair value of the Disputed claims liability is classified as Level 2.

For the three months ended March 31, 2019 and 2018, the changes in fair value related to the disputed claims liability was a loss of \$6 million and income of \$10 million, respectively, which were recorded as components of Other income/(loss) in the Statements of Operations.

Note 7 — Leases

Adoption of New Lease Accounting Standard

In February 2016, the FASB issued a new standard related to leases, ASU 2016-02, *Leases (Topic 842)* (“ASC 842”). We adopted the standard effective January 1, 2019, using the retrospective approach applied as of the beginning of the period of adoption. The Company elected to utilize the transition guidance within the new standard that permits us to (i) continue to report under legacy lease accounting guidance for comparative periods consistent with previously issued financial statements; and (ii) carryforward our prior conclusions about lease identification, lease classification, and initial direct costs. The most significant effects of adopting the new standard relate to the recognition of right-of-use (“ROU”) assets and liabilities for leases classified as operating leases when the Company is the lessee in the arrangement. Adopting the new standard did not affect our accounting related to leases when the Company is the lessor in the arrangement.

We assess whether an arrangement is or contains a lease at the inception of the agreement. ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term using our incremental borrowing rate, which is consistent with interest rates of similar financing arrangements based on the information available at the commencement date. The ROU assets were also adjusted to include any prepaid lease payments and reduced by any previously accrued lease liabilities. The terms of our leases used to determine the ROU asset and lease liability take into account options to extend when it is reasonably certain that we will exercise those options. Lease expense is recognized on a straight-line basis over the lease term. Additionally, we have elected the short-term lease measurement and recognition exemption and do not establish ROU assets or lease liabilities for operating leases with terms of 12 months or less.

Effect of Adopting New Lease Standard - January 1, 2019 Balance Sheet

<i>(In millions)</i>	Prior to Adoption	Effect of Adoption	Post Adoption
Property and equipment, net ⁽¹⁾	\$ 16,045	\$ (96)	\$ 15,949
Deferred charges and other assets ⁽²⁾⁽³⁾	383	465	848
Accrued expenses and other current liabilities ⁽²⁾	1,217	30	1,247
Financing obligations ⁽¹⁾	10,057	(96)	9,961
Deferred credits and other liabilities ⁽²⁾⁽³⁾	849	435	1,284

⁽¹⁾ Non-operating land assets previously considered as failed sale-leaseback financing obligations were determined to qualify for sale-leaseback accounting under ASC 842 and are now recognized as operating lease liabilities with corresponding ROU assets.

⁽²⁾ Operating leases previously considered as off-balance sheet obligations are now recognized as operating lease liabilities with corresponding ROU assets.

⁽³⁾ Accruals associated with future obligations for leases not in use have been applied against the carrying amount of the ROU assets.

Lessee Arrangements

Operating Leases

We lease real estate and equipment used in our operations from third parties. As of March 31, 2019, the remaining term of our operating leases ranged from 1 to 73 years with various automatic extensions. In addition to minimum rental commitments, certain of our operating leases provide for contingent rentals based on a percentage of revenues in excess of specified amounts.

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The following are additional details related to leases recorded on our Balance Sheet as of March 31, 2019:

<i>(In millions)</i>	Balance Sheet Classification	March 31, 2019
Assets		
Operating lease ROU assets ⁽¹⁾	Deferred charges and other assets	\$ 456
Liabilities		
Current operating lease liabilities ⁽¹⁾	Accrued expenses and other current liabilities	27
Non-current operating lease liabilities ⁽¹⁾	Deferred credits and other liabilities	488

⁽¹⁾ As noted above, we have elected the short-term lease measurement and recognition exemption and do not establish ROU assets or liabilities for operating leases with terms of 12 months or less.

Maturity of Lease Liabilities as of March 31, 2019

<i>(In millions)</i>	Operating Leases
Remaining 2019	\$ 51
2020	66
2021	66
2022	60
2023	57
Thereafter	917
Total	1,217
Less: present value discount	(702)
Lease liability	\$ 515

Lease Costs

<i>(In millions)</i>	Three Months Ended March 31, 2019
Operating lease expense	\$ 17
Short-term lease expense	19
Variable lease expense	1
Total lease costs	\$ 37

Other Information

<i>(In millions)</i>	Three Months Ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	\$ 14

Weighted-Average Details

	March 31, 2019
Weighted-average remaining lease term (in years)	22.9
Weighted-average discount rate	6.91%

Finance Leases

We have finance leases for certain equipment. As of March 31, 2019, our finance leases had remaining lease terms of up to 4 years, some of which include options to extend the lease terms in one year increments. Our finance lease ROU assets and liabilities were immaterial to our Financial Statements as of March 31, 2019.

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Failed Sale-Leaseback Financing Obligations

We lease certain real property assets from VICI (each a “Lease Agreement,” and, collectively, the “Lease Agreements”): (i) for Caesars Palace Las Vegas, (ii) for a portfolio of properties at various locations throughout the United States, (iii) for Harrah’s Joliet Hotel & Casino and (iv) for Harrah’s Las Vegas. The Lease Agreements provide for annual fixed rent (subject to escalation) of \$773 million during the initial 15-year term, then rent consisting of both base rent and variable percentage rent elements, and have four five-year renewal options, subject to certain restrictions. The Lease Agreements include escalation provisions beginning in year two of the initial term and continuing through the renewal terms. The Lease Agreements also include provisions for contingent rental payments calculated, in part, based on increases or decreases of net revenue of the underlying lease properties, commencing in year eight of the initial term and continuing through the renewal terms.

The Lease Agreements were evaluated as sale-leasebacks of real estate. We determined that these transactions did not qualify for sale-leaseback accounting, and we have accounted for the transaction as a financing.

For these failed sale-leaseback transactions, we continue to reflect the real estate assets on our Balance Sheets in Property and equipment, net as if we were the legal owner, and we continue to recognize depreciation expense over their estimated useful lives. We do not recognize rent expense related to the Lease Agreements, but we have recorded a liability for the failed sale-leaseback obligations and the majority of the periodic lease payments are recognized as interest expense. In the initial periods, the majority of the cash payments are less than the interest expense recognized in the Statements of Operations, which causes the related failed sale-leaseback financing obligations to increase during the initial periods of the lease term.

Annual Estimated Failed Sale-Leaseback Financing Obligation Service Requirements as of March 31, 2019

<i>(In millions)</i>	Remaining	Years Ended December 31,					Thereafter	Total
	2019	2020	2021	2022	2023			
Financing obligations - principal	\$ 14	\$ 23	\$ 26	\$ 28	\$ 33	\$ 8,400	\$ 8,524	
Financing obligations - interest	576	777	788	799	814	25,618	29,372	
Total financing obligation payments ⁽¹⁾	\$ 590	\$ 800	\$ 814	\$ 827	\$ 847	\$ 34,018	\$ 37,896	

⁽¹⁾ Financing obligation principal and interest payments are estimated amounts based on the future minimum lease payments and certain estimates based on contingent rental payments. Actual payments may differ from the estimates.

Lessors Arrangements

Lodging Arrangements

Lodging arrangements are considered short-term and generally consist of lease and nonlease components. The lease component is the predominant component of the arrangement and consists of the fees charged for lodging. The nonlease components primarily consist of resort fees and other miscellaneous items. As the timing and pattern of transfer of both the lease and nonlease components are over the course of the lease term, we have elected to combine the revenue generated from lease and nonlease components into a single lease component based on the predominant component in the arrangement. During the three months ended March 31, 2019, we recognized approximately \$386 million in lease revenue related to lodging arrangements, which is included in Rooms revenue in the Statement of Operations.

Conventions

Convention arrangements are considered short-term and generally consist of lease and nonlease components. The lease component is the predominant component of the arrangement and consists of fees charged for the use of meeting space. The nonlease components primarily consist of food and beverage and audio/visual services. Revenue from conventions is included in Food and beverage revenue in the Statement of Operations, and during the three months ended March 31, 2019, we recognized approximately \$15 million in lease revenue related to conventions.

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Real Estate Operating Leases

We enter into long-term real estate leasing arrangements with third-party lessees at our properties. As of March 31, 2019, the remaining terms of these operating leases ranged from 1 to 86 years, some of which include options to extend the lease term for up to 5 years. In addition to minimum rental commitments, certain of our operating leases provide for contingent rentals based on a percentage of revenues in excess of specified amounts. In addition, to maintain the value of our leased assets, certain leases include specific maintenance requirements of the lessees or maintenance is performed by the Company on behalf of the lessees.

Maturity of Lease Receivables as of March 31, 2019

<i>(In millions)</i>	Operating Leases	
Remaining 2019	\$	60
2020		72
2021		63
2022		61
2023		56
Thereafter		820
Total	\$	1,132

Note 8 — Litigation, Contractual Commitments, and Contingent Liabilities

Litigation

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

Contractual Commitments

During the three months ended March 31, 2019, we have not entered into any material contractual commitments outside of the ordinary course of business that have materially changed our contractual commitments as compared to December 31, 2018.

Exit Cost Accruals

As of March 31, 2019 and December 31, 2018, exit costs were included in Accrued expenses and other current liabilities and Deferred credits and other liabilities on the accompanying Balance Sheets for accruals related to the following:

<i>(In millions)</i>	Accrual Obligation End Date	March 31, 2019	December 31, 2018
Future obligations under land lease agreements ⁽¹⁾⁽²⁾	December 2092	\$ —	\$ 43
Iowa greyhound pari-mutuel racing fund	December 2021	24	33
Permanent closure of Alea Leeds ⁽²⁾	January 2032	—	10
Unbundling of electric service provided by NV Energy	February 2024	56	58
Total		\$ 80	\$ 144

⁽¹⁾ Associated with the abandonment of a construction project near the Mississippi Gulf Coast.

⁽²⁾ As a result of the adoption of ASC 842, as of January 1, 2019, accruals associated with future obligations for leases not in use have been applied against the carrying amount of the ROU assets. See Note 7.

NV Energy

In September 2017, we filed our final notice to proceed with our plan to exit the fully bundled sales system of NV Energy for our Nevada properties and purchase energy, capacity, and/or ancillary services from a provider other than NV Energy. The transition to unbundle electric service was completed in the first quarter of 2018 (the “Cease-Use Date”). As a result of our decision to exit, an order from the Public Utilities Commission of Nevada required that we pay an aggregate exit fee of \$48 million. These fees are payable over three to six years at an aggregate present value of \$33 million as of March 31, 2019 and were recorded in Accrued expenses and other current liabilities and Deferred credits and other liabilities on the Balance Sheets.

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For six years following the Cease-Use Date, we will also be required to make ongoing payments to NV Energy for non-bypassable rate charges, which primarily relate to each entity's share of NV Energy's portfolio of above-market renewable energy contracts and the costs of decommissioning and remediation of coal-fired power plants. As of the effective date of the transition, total fees to be incurred were \$31 million, which were accrued at its present value in the first quarter of 2018. As of March 31, 2019, \$23 million was recorded in Accrued expenses and other current liabilities and Deferred credits and other liabilities on the Balance Sheets. The amount will be adjusted in the future if actual fees incurred differ from our estimates.

Sports Sponsorship/Partnership Obligations

We have agreements with certain professional sports teams for advertising, marketing, promotional, and sponsorship opportunities. As of March 31, 2019, obligations related to these agreements were \$172 million with commitments extending through 2034.

Golf Course Use Agreement

On October 6, 2017, certain golf course properties were sold to VICI and CEOC LLC entered into a golf course use agreement (the "Golf Course Use Agreement") with VICI. An obligation of \$144 million is recorded in Deferred credits and other liabilities as of March 31, 2019, which represents the amount in which the \$10 million annual payment obligation under the Golf Course Use Agreement exceeds the fair value of services being received.

The obligation is being amortized using the effective interest method over the term of the Golf Course Use Agreement which continues through October 2052. The amortization of this obligation for both the three months ended March 31, 2019 and 2018 was \$3 million and is reflected in Interest expense in our Statements of Operations.

Separation Agreement

On November 1, 2018, the Company announced that Mark P. Frissora, our President and Chief Executive Officer, will leave the Company. Subject to the terms of the separation agreement entered into between the Company and Mr. Frissora (as amended, the "Separation Agreement"), Mr. Frissora continued as President and Chief Executive Officer until his termination date of April 30, 2019 for purposes of continuity of leadership as the Company searched for a successor to Mr. Frissora. In connection with his Separation Agreement, upon his termination date, Mr. Frissora vested in all unvested equity and cash awards (with vesting of performance stock units and options remaining subject to achievement of applicable targets and options generally exercisable for two years after vesting). As a result of the separation, a total of \$32 million of accelerated compensation was recognized, of which \$10 million was recognized in the three months ended March 31, 2019 and an aggregate of \$29 million was recognized as of March 31, 2019. The remainder was amortized in 2019 through his exit date of April 30, 2019.

Contingent Liabilities

Resolution of Disputed Claims

As previously disclosed in our 2018 Annual Report, CEOC and certain of its U.S. subsidiaries (collectively, the "Debtors") voluntarily filed for reorganization on January 15, 2015 (the "Petition Date"). The Debtors emerged from bankruptcy and consummated their reorganization pursuant to their third amended joint plan of reorganization (the "Plan") on October 6, 2017 (the "Effective Date"). Prior to the Effective Date, CEOC's financial statements included amounts classified as liabilities subject to compromise, which represented estimates of pre-petition obligations impacted by the Chapter 11 reorganization process. These amounts represented the Debtors' then-current estimate of known or potential pre-petition obligations to be resolved in connection with CEOC's emergence from bankruptcy.

Following the Effective Date, actions to enforce or otherwise affect repayment of liabilities preceding the Petition Date, as well as pending litigation against the Debtors related to such liabilities, generally have been permanently enjoined. Any unresolved claims will continue to be subject to the claims reconciliation process under the supervision of the Bankruptcy Court. CEOC LLC will continue the process of reconciling such claims to the amounts listed by the Debtors in their schedules of assets and liabilities, as amended. The amounts submitted by claimants that remain unresolved total approximately \$514 million. We estimate the fair value of these claims to be \$44 million as of March 31, 2019, which is based on management's estimate of the claim amounts that the Bankruptcy Court will ultimately allow and the fair value of the underlying CEC common stock and CEC Convertible Notes held in escrow for the purpose of resolving those claims.

Pursuant to the Plan, CEC and CEOC deposited cash, CEC common stock, and CEC Convertible Notes into an escrow trust to be distributed to satisfy certain remaining unsecured claims (excluding debt claims) as they become allowed. As claims are resolved,

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the claimants receive distributions of CEC common stock, cash or cash equivalents, and/or CEC Convertible Notes from the reserves on the same basis as if such distributions had been made on or about the Effective Date. To the extent that any of the reserved shares, cash, and convertible notes remain undistributed upon resolution of the remaining disputed claims, such amounts will be returned to CEC.

As of March 31, 2019, approximately \$49 million in cash, 8 million shares of CEC common stock, and \$32 million in principal value of CEC Convertible Notes remain in reserve for distribution to holders of disputed claims whose claims may ultimately become allowed in the escrow trust. The CEC common stock and CEC Convertible Notes held in the escrow trust are treated as not outstanding in CEC's Financial Statements. We estimate that the number of shares, cash, and CEC Convertible Notes reserved is sufficient to satisfy the Debtors' obligations under the Plan.

Self-Insurance

We are self-insured for workers compensation and other risk insurance, as well as health insurance. Our total estimated self-insurance liability was \$175 million and \$173 million, respectively, as of March 31, 2019 and December 31, 2018.

Note 9 — Debt

<i>(Dollars in millions)</i>	March 31, 2019				December 31, 2018	
	Final Maturity	Rate(s) ⁽¹⁾	Face Value	Book Value	Book Value	
Secured debt						
CRC Revolving Credit Facility	2022	variable ⁽²⁾	\$ —	\$ —	\$ —	\$ 100
CRC Term Loan	2024	variable ⁽³⁾	4,641	4,568	4,577	
CEOC LLC Revolving Credit Facility	2022	variable ⁽⁴⁾	—	—	—	
CEOC LLC Term Loan	2024	variable ⁽⁵⁾	1,481	1,480	1,483	
Unsecured debt						
CEC Convertible Notes	2024	5.00%	1,083	1,083	1,083	
CRC Notes	2025	5.25%	1,700	1,668	1,668	
Special Improvement District Bonds	2037	4.30%	54	54	54	
Total debt			8,959	8,853	8,965	
Current portion of long-term debt			(64)	(64)	(164)	
Long-term debt			\$ 8,895	\$ 8,789	\$ 8,801	
Unamortized discounts and deferred finance charges				\$ 106	\$ 110	
Fair value			\$ 8,810			

⁽¹⁾ Interest rate is fixed, except where noted.

⁽²⁾ London Interbank Offered Rate ("LIBOR") plus 2.13%.

⁽³⁾ LIBOR plus 2.75%.

⁽⁴⁾ LIBOR plus 2.00%.

⁽⁵⁾ LIBOR plus 2.00%.

Annual Estimated Debt Service Requirements as of March 31, 2019

<i>(In millions)</i>	Remaining	Years Ended December 31,					Thereafter	Total
	2019	2020	2021	2022	2023			
Annual maturities of long-term debt	\$ 48	\$ 64	\$ 64	\$ 64	\$ 64	\$ 8,655	\$ 8,959	
Estimated interest payments	400	460	450	440	430	520	2,700	
Total debt service obligation ⁽¹⁾	\$ 448	\$ 524	\$ 514	\$ 504	\$ 494	\$ 9,175	\$ 11,659	

⁽¹⁾ Debt principal payments are estimated amounts based on maturity dates and potential borrowings under our revolving credit facilities. Interest payments are estimated based on the forward-looking LIBOR curve and include the estimated impact of the ten interest rate swap agreements (see Note 6). Actual payments may differ from these estimates.

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Current Portion of Long-Term Debt

The current portion of long-term debt as of March 31, 2019 and December 31, 2018 includes the principal payments on the term loans, other unsecured borrowings, and special improvement district bonds that are expected to be paid within 12 months.

Borrowings under the revolving credit facilities are each subject to the provisions of the applicable credit facility agreements, which each have a contractual maturity of greater than one year. Amounts borrowed, if any, under the revolving credit facilities are intended to satisfy short-term liquidity needs and would be classified as current. As of March 31, 2019, \$76 million of our revolving credit facilities were committed to outstanding letters of credit.

Fair Value

The fair value of debt has been calculated primarily based on the borrowing rates available as of March 31, 2019 based on market quotes of our publicly traded debt. We classify the fair value of debt within Level 1 and Level 2 in the fair value hierarchy.

Terms of Outstanding Debt

Restrictive Covenants

The CRC Credit Agreement, CEOC LLC Credit Agreement, and the indentures related to the CRC Notes contain covenants which are standard and customary for these types of agreements. These include negative covenants, which, subject to certain exceptions and baskets, limit the ability of CRC and certain of its subsidiaries, and CEOC LLC and certain of its subsidiaries, respectively, to (among other items) incur additional indebtedness, make investments, make restricted payments, including dividends, grant liens, sell assets and make acquisitions. The indenture related to the CEC Convertible Notes contains covenants including negative covenants, which, subject to certain exceptions, limit the Company's ability to (among other items) incur additional indebtedness, make investments, make restricted payments, including dividends, grant liens, sell assets, and make acquisitions.

The CRC Revolving Credit Facility and CEOC LLC Revolving Credit Facility include maximum first-priority net senior secured leverage ratio financial covenants of 6.35:1 and 3.50:1, respectively, which are applicable solely to the extent that certain testing conditions are satisfied.

Guarantees

The borrowings under the CRC Credit Agreement and CEOC LLC Credit Agreement, as amended, are guaranteed by the material, domestic, wholly owned subsidiaries of CRC and CEOC LLC, respectively, (subject to exceptions) and substantially all of the applicable existing and future property and assets of CRC or CEOC LLC, respectively, and their respective subsidiary guarantors serve as collateral for the respective borrowings.

The CRC Notes are guaranteed on a senior unsecured basis by each wholly owned, domestic subsidiary of CRC that is a subsidiary guarantor with respect to the CRC Senior Secured Credit Facilities.

Note 10 — Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing the applicable income amounts by the weighted-average number of shares of common stock outstanding. Diluted EPS is computed by dividing the applicable income amounts by the sum of weighted-average number of shares of common stock outstanding and dilutive potential common stock.

For a period in which Caesars generated a net loss, the weighted-average basic shares outstanding was used in calculating diluted loss per share because using diluted shares would have been anti-dilutive to loss per share.

Basic and Dilutive Net Earnings Per Share Reconciliation

<i>(In millions, except per share data)</i>	Three Months Ended March 31,	
	2019	2018
Net loss attributable to Caesars	\$ (217)	\$ (34)
Weighted-average common shares outstanding	670	697
Basic and diluted loss per share	\$ (0.32)	\$ (0.05)

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Weighted-Average Number of Anti-Dilutive Shares Excluded from Calculation of EPS

<i>(In millions)</i>	Three Months Ended March 31,	
	2019	2018
Stock-based compensation awards	23	25
CEC Convertible Notes	151	150
Total anti-dilutive common stock	174	175

Note 11 — Revenue Recognition

Receivables

<i>(In millions)</i>	March 31, 2019	December 31, 2018
Casino	\$ 161	\$ 188
Food and beverage and rooms ⁽¹⁾	84	62
Entertainment and other	93	77
Contract receivables, net	338	327
Real estate leases	11	15
Other	100	115
Receivables, net	\$ 449	\$ 457

⁽¹⁾ As a result of the adoption of ASC 842, as of January 1, 2019, revenue generated from the lease components of lodging arrangements and conventions as well as their associated receivables are no longer considered contract revenue or contract receivables under ASC 606, Revenue from Contracts with Customers. A portion of this balance relates to lease receivables under ASC 842. See Note 7 for further details.

Contract Liabilities

<i>(In millions)</i>	Caesars Rewards	Customer Advance Deposits	Total
Balance as of December 31, 2018 ⁽¹⁾	\$ 66	\$ 83	\$ 149
Amount recognized during the period ⁽²⁾	(32)	(152)	(184)
Amount accrued during the period	33	168	201
Balance as of March 31, 2019 ⁽³⁾	\$ 67	\$ 99	\$ 166

⁽¹⁾ \$5 million included within Deferred credits and other liabilities as of December 31, 2018.

⁽²⁾ Includes \$15 million for Caesars Rewards and \$51 million for Customer Advances recognized from the December 31, 2018 Contract liability balances.

⁽³⁾ \$5 million included within Deferred credits and other liabilities as of March 31, 2019. Includes lodging arrangement and convention contract liabilities accounted for under ASC 842. See Note 7 for further details.

Note 12 — Stock-Based Compensation

We maintain long-term incentive plans for management, other personnel, and key service providers. The plans allow for granting stock-based compensation awards, based on CEC common stock (NASDAQ symbol “CZR”), including time-based and performance-based stock options, restricted stock units (“RSUs”), performance stock units (“PSUs”), market-based stock units (“MSUs”), restricted stock awards, stock grants, or a combination of awards. Forfeitures are recognized in the period in which they occur.

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(UNAUDITED)

2017 Performance Incentive Plan (“2017 PIP”)

In March 2019, the Company granted approximately 953 thousand PSUs that are scheduled to vest in three equal tranches over a three-year period. On each vesting date, recipients will receive between 0% and 200% of the granted PSUs in the form of CEC common stock based on the achievement of specified performance and service conditions. Based on the terms and conditions of the awards, the fair value of the PSUs was initially set equal to the quoted market price of our common stock on the date of grant. The grant date fair value is reassessed at each reporting date to reflect the market price of our common stock until a mutual understanding of the key terms and conditions of the awards between the Company and recipient is achieved.

Also in March 2019, the Company granted approximately 657 thousand MSUs that are scheduled to cliff vest in three years. On the vesting date, recipients will receive between 0% and 200% of the granted MSUs in the form of CEC common stock based on the achievement of specified market and service conditions. Based on the terms and conditions of the awards, the grant date fair value of the MSUs was determined using a Monte-Carlo simulation model. Key assumptions for the Monte-Carlo simulation model are the risk-free interest rate, expected volatility, expected dividends and correlation coefficient. The effect of market conditions is considered in determining the grant date fair value, which is not subsequently revised based on actual performance.

Composition of Stock-Based Compensation Expense

<i>(In millions)</i>	Three Months Ended March 31,	
	2019	2018
Corporate expense	\$ 16	\$ 13
Property, general, administrative, and other	5	5
Total stock-based compensation expense	\$ 21	\$ 18

Outstanding at End of Period

	March 31, 2019		December 31, 2018	
	Quantity	Wtd Avg ⁽¹⁾	Quantity	Wtd Avg ⁽¹⁾
Stock options ⁽²⁾	8,330,297	\$ 10.63	8,360,365	\$ 10.63
Restricted stock units ⁽³⁾	16,204,046	11.17	13,455,092	11.51
Performance stock units ⁽⁴⁾	2,417,300	8.69	1,466,183	6.79
Market-based stock units ⁽⁵⁾	657,207	12.63	—	—

⁽¹⁾ Represents weighted average exercise price for stock options, weighted average grant date fair value for RSUs, the price of CEC common stock as of the balance sheet date until a grant date is achieved for PSUs and the fair value of the MSUs determined using the Monte-Carlo simulation model.

⁽²⁾ During the three months ended March 31, 2019, there were no grants of stock options and no stock options were exercised.

⁽³⁾ During the three months ended March 31, 2019, 4.7 million RSUs were granted under the 2017 PIP and 1.8 million RSUs vested.

⁽⁴⁾ During the three months ended March 31, 2019, 953 thousand PSUs were granted under the 2017 PIP and no PSUs vested.

⁽⁵⁾ During the three months ended March 31, 2019, 657 thousand MSUs were granted under the 2017 PIP and no MSUs vested.

Note 13 — Income Taxes

Income Tax Allocation

<i>(Dollars in millions)</i>	Three Months Ended March 31,	
	2019	2018
Loss before income taxes	\$ (247)	\$ (21)
Income tax benefit/(provision)	\$ 29	\$ (13)
Effective tax rate	11.7%	(61.9)%

We classify reserves for tax uncertainties within Deferred credits and other liabilities on the Balance Sheets, separate from any related income tax payable, which is also reported within Accrued expenses and other current liabilities, 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.

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

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. We have provided a valuation allowance on certain federal and state deferred tax assets that were not deemed realizable based upon estimates of future taxable income.

The income tax benefit for the three months ended March 31, 2019 differed from the expected income tax benefit based on the federal tax rate of 21% primarily due to losses from continuing operations not tax benefitted, nondeductible expenses, and state deferred tax expense from the election to treat one of CEOC LLC's subsidiaries as a corporation for federal and state income tax purposes. This election was effective January 1, 2019. The income tax provision related to the loss before income taxes for the three months ended March 31, 2018 differed from the expected federal tax rate of 21% primarily due to losses from continuing operations not tax benefitted and nondeductible expenses.

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 12 months.

Note 14 — Related Party Transactions

<i>(In millions)</i>	Three Months Ended March 31,	
	2019	2018
Transactions with Horseshoe Baltimore		
Management fees	\$ 2	\$ 3
Allocated expenses	1	1

Transactions with Horseshoe Baltimore

As of March 31, 2019, our investment in Horseshoe Baltimore is 41.5% and is held as an equity method investment and considered to be a related party. These related party transactions include items such as casino management fees and the allocation of other general corporate expenses. A summary of the transactions with Horseshoe Baltimore is provided in the table above.

Due from/to Affiliates

Amounts due from or to affiliates for each counterparty represent the net receivable or payable as of the end of the reporting period primarily resulting from the transactions described above and are settled on a net basis by each counterparty in accordance with the legal and contractual restrictions governing transactions by and among Caesars' consolidated entities.

As of March 31, 2019 and December 31, 2018, Due from affiliates, net was \$5 million and \$6 million, respectively, and represented transactions with Horseshoe Baltimore.

Note 15 — Segment Reporting

We view each property as an operating segment and aggregate such properties into three regionally-focused reportable segments: (i) Las Vegas, (ii) Other U.S. and (iii) All Other, which is consistent with how we manage the business.

The results of each reportable segment presented below are consistent with the way management assesses these results and allocates resources, which is a consolidated view that adjusts for the effect of certain transactions between reportable segments within Caesars. We recast previously reported segment amounts to conform to the way management assesses results and allocates resources for the current year. Net revenues are presented disaggregated by category for contract revenues separate from other revenues by segment.

“All Other” includes managed, international and other properties as well as parent and other adjustments to reconcile to consolidated Caesars results.

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

Condensed Statements of Operations - By Segment

	Three Months Ended March 31, 2019				
<i>(In millions)</i>	Las Vegas	Other U.S.	All Other	Elimination	Caesars
Casino	\$ 274	\$ 744	\$ 65	\$ —	\$ 1,083
Food and beverage ⁽¹⁾	255	137	6	—	398
Rooms ⁽¹⁾	299	86	1	—	386
Management fees	—	—	15	—	15
Reimbursed management costs	—	1	51	—	52
Entertainment and other	94	40	11	—	145
Total contract revenues	922	1,008	149	—	2,079
Real estate leases ⁽²⁾	33	2	—	—	35
Other revenues	—	—	1	—	1
Net revenues	\$ 955	\$ 1,010	\$ 150	\$ —	\$ 2,115
Depreciation and amortization	\$ 128	\$ 103	\$ 16	\$ —	\$ 247
Income/(loss) from operations	226	116	(102)	—	240
Interest expense	(83)	(143)	(123)	—	(349)
Other loss ⁽³⁾	—	—	(138)	—	(138)
Income tax benefit ⁽⁴⁾	—	—	29	—	29

	Three Months Ended March 31, 2018				
<i>(In millions)</i>	Las Vegas	Other U.S.	All Other	Elimination	Caesars
Casino	\$ 257	\$ 663	\$ 63	\$ —	\$ 983
Food and beverage	242	134	7	—	383
Rooms	280	86	1	—	367
Management fees	—	1	16	(2)	15
Reimbursed management costs	—	1	51	—	52
Entertainment and other	92	39	7	(1)	137
Total contract revenues	871	924	145	(3)	1,937
Other revenues	32	2	1	—	35
Net revenues ⁽⁵⁾	\$ 903	\$ 926	\$ 146	\$ (3)	\$ 1,972
Depreciation and amortization	\$ 142	\$ 121	\$ 17	\$ —	\$ 280
Income/(loss) from operations	148	86	(109)	—	125
Interest expense	(78)	(138)	(114)	—	(330)
Other income ⁽³⁾	2	2	180	—	184
Income tax provision ⁽⁴⁾	—	—	(13)	—	(13)

⁽¹⁾ As a result of the adoption of ASC 842, as of January 1, 2019, revenue generated from the lease components of lodging arrangements and conventions are no longer considered contract revenue under ASC 606, Revenue from Contracts with Customers. A portion of these balances relate to lease revenues under ASC 842. See Note 7 for further details.

⁽²⁾ Real estate leases revenue includes \$14 million of variable rental income.

⁽³⁾ Amounts include changes in fair value of the derivative liability related to the conversion option of the CEC Convertible Notes and the disputed claims liability as well as interest and dividend income.

⁽⁴⁾ Taxes are recorded at the consolidated level and not estimated or recorded to our Las Vegas and Other U.S. segments.

⁽⁵⁾ Certain prior year amounts have been reclassified to conform to the current year presentation of our reportable segments.

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

Adjusted EBITDA - By Segment

Adjusted earnings before interest, taxes, depreciation and amortization (“EBITDA”) is presented as a measure of the Company’s performance. Adjusted EBITDA is defined as revenues less operating expenses and is comprised of net income/(loss) before (i) interest expense, net of interest capitalized and interest income, (ii) income tax (benefit)/provision, (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 Adjusted 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 Adjusted EBITDA should not be construed as an inference that future results will be unaffected by unusual or unexpected items.

Adjusted 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). Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies within the industry. Adjusted EBITDA is included because management uses Adjusted EBITDA to measure performance and allocate resources, and believes that Adjusted EBITDA provides investors with additional information consistent with that used by management.

	Three Months Ended March 31, 2019				
<i>(In millions)</i>	Las Vegas	Other U.S.	All Other	Elimination	Caesars
Net income/(loss) attributable to Caesars	\$ 143	\$ (26)	\$ (334)	\$ —	\$ (217)
Net loss attributable to noncontrolling interests	—	(1)	—	—	(1)
Income tax benefit ⁽¹⁾	—	—	(29)	—	(29)
Other loss ⁽²⁾	—	—	138	—	138
Interest expense	83	143	123	—	349
Depreciation and amortization	128	103	16	—	247
Other operating costs ⁽³⁾	3	12	14	—	29
Stock-based compensation expense	2	2	17	—	21
Other items ⁽⁴⁾	1	—	24	—	25
Adjusted EBITDA	<u>\$ 360</u>	<u>\$ 233</u>	<u>\$ (31)</u>	<u>\$ —</u>	<u>\$ 562</u>

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

Three Months Ended March 31, 2018

<i>(In millions)</i>	Las Vegas	Other U.S.	All Other	Elimination	Caesars
Net income/(loss) attributable to Caesars	\$ 72	\$ (50)	\$ (56)	\$ —	\$ (34)
Income tax provision ⁽¹⁾	—	—	13	—	13
Other income ⁽²⁾	(2)	(2)	(180)	—	(184)
Interest expense	78	138	114	—	330
Depreciation and amortization	142	121	17	—	280
Other operating costs ⁽³⁾	28	6	32	—	66
Stock-based compensation expense	2	2	14	—	18
Other items ⁽⁴⁾	1	1	27	—	29
Adjusted EBITDA	<u>\$ 321</u>	<u>\$ 216</u>	<u>\$ (19)</u>	<u>\$ —</u>	<u>\$ 518</u>

⁽¹⁾ Taxes are recorded at the consolidated level and not estimated or recorded to our Las Vegas and Other U.S. segments.

⁽²⁾ Amounts include changes in fair value of the derivative liability related to the conversion option of the CEC Convertible Notes and the disputed claims liability as well as interest and dividend income.

⁽³⁾ Amounts primarily represent costs incurred in connection with development activities and reorganization activities, and/or recoveries associated with such items, including acquisition and integration costs, contract exit fees including exiting the fully bundled sales system of NV Energy for electric service at our Nevada properties, lease termination costs, weather related property closure costs, severance costs, gains and losses on asset sales, demolition costs primarily at our Las Vegas properties for renovations, and project opening costs.

⁽⁴⁾ Amounts include other add-backs and deductions to arrive at Adjusted EBITDA but not separately identified such as professional and consulting services, sign-on and retention bonuses, business optimization expenses and transformation expenses, severance and relocation costs, litigation awards and settlements, and permit remediation costs.

Condensed Balance Sheets - By Segment

March 31, 2019

<i>(In millions)</i>	Las Vegas	Other U.S.	All Other	Elimination	Caesars
Total assets	\$ 13,978	\$ 8,690	\$ 6,496	\$ (3,128)	\$ 26,036
Total liabilities	5,771	5,735	11,416	(8)	22,914

December 31, 2018

<i>(In millions)</i>	Las Vegas	Other U.S.	All Other	Elimination	Caesars
Total assets	\$ 13,987	\$ 8,565	\$ 6,046	\$ (2,823)	\$ 25,775
Total liabilities	5,730	5,143	11,267	297	22,437

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

In this filing, the name “CEC” refers to the parent holding company, Caesars Entertainment Corporation, exclusive of its consolidated subsidiaries and variable interest entities, unless otherwise stated or the context otherwise requires. The words “Company,” “Caesars,” “Caesars Entertainment,” “we,” “our,” and “us” refer to Caesars Entertainment Corporation, inclusive of its consolidated subsidiaries and variable interest entities, unless otherwise stated or the context otherwise requires.

We also refer to (i) our Consolidated Condensed Financial Statements as our “Financial Statements,” (ii) our Consolidated Condensed Balance Sheets as our “Balance Sheets,” (iii) our Consolidated Condensed Statements of Operations and Comprehensive Loss as our “Statements of Operations,” and (iv) our Consolidated Condensed Statements of Cash Flows as our “Statements of Cash Flows.” References to numbered “Notes” refer to Notes to Consolidated Condensed Financial Statements included in Item 1, “Unaudited Financial Statements.”

The following discussion and analysis of the financial position and operating results of Caesars Entertainment for the three months ended March 31, 2019 and 2018 should be read in conjunction with the unaudited consolidated condensed financial statements and the notes thereto and other financial information included elsewhere in this Form 10-Q as well as Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) presented in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (“2018 Annual Report”). Capitalized terms used but not defined in this Form 10-Q have the same meanings as in the 2018 Annual Report.

The statements in this discussion regarding our expectations of our future performance, liquidity and capital resources, and other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties. Our actual results may differ materially from those contained in or implied by any forward-looking statements. See “CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS” below in this report.

Overview

We view each property as an operating segment and aggregate such properties into three regionally-focused reportable segments: (i) Las Vegas, (ii) Other U.S., and (iii) All Other, which is consistent with how we manage the business. The way in which Caesars management assesses results and allocates resources is aligned with these segments.

Summary of Significant Events

The following are the significant events and drivers of performance. Accordingly, the remainder of the discussion and analysis of results should be read in conjunction with this summary.

Adoption of New Lease Accounting Standard

On January 1, 2019, we adopted the new accounting standard Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*, and all related amendments. See Note 7 for additional information and details on the effects of adopting the new standard.

Failed Sale-Leaseback Financing Obligations

As previously disclosed in our 2018 Annual Report, our leases with VICI Properties Inc. and/or its subsidiaries (collectively, “VICI”) were evaluated as a sale-leaseback of real estate, and we determined that these transactions did not qualify for sale-leaseback accounting. The amount recognized for depreciation expense and interest expense substantially exceeds our periodic rental payments for most of our leases with VICI as a result of the majority of the failed sale-leaseback obligations being initially recognized at an amount equal to the fair value of the leased properties when one of our subsidiaries emerged from bankruptcy. The table below presents the activity for the periods.

(In millions)	Three Months Ended March 31,	
	2019	2018
Depreciation expense	\$ 111	\$ 122
Interest expense	224	215
Rental payments ⁽¹⁾	155	174

⁽¹⁾ Reflects cash paid for interest and principal related to our failed sale-leaseback financing obligations. An additional \$74 million and \$43 million, respectively, was accrued, but not paid, during the three months ended March 31, 2019 and 2018.

Discussion of Operating Results

Analysis of Key Drivers of Consolidated Operating Results

The following represents the discussion and analysis of the results of operations and key metrics focusing on the key drivers of performance.

Consolidated Operating Results

<i>(Dollars in millions)</i>	Three Months Ended March 31,		Fav/(Unfav)	
	2019	2018	\$	%
Net revenues	\$ 2,115	\$ 1,972	\$ 143	7.3 %
Income from operations	240	125	115	92.0 %
Interest expense	(349)	(330)	(19)	(5.8)%
Other income/(loss)	(138)	184	(322)	*
Net loss	(218)	(34)	(184)	*
Net loss attributable to Caesars	(217)	(34)	(183)	*
Adjusted EBITDA ⁽¹⁾	562	518	44	8.5 %
Operating margin ⁽²⁾	11.3%	6.3%	—	5.0 pts

* Not meaningful.

⁽¹⁾ See the "Reconciliation of Non-GAAP Financial Measures" discussion later in this MD&A for a reconciliation of Adjusted EBITDA.

⁽²⁾ Operating margin is calculated as income from operations divided by net revenues.

Analysis of Key Drivers of Revenue Performance

Our gaming-related revenues, rooms revenues, and operating performance are dependent upon the volume and spend behavior of customers at our resort properties, which affects the price we can charge for our hotel rooms and other amenities, and directly affects our gaming volumes. Our food and beverage revenues are generated primarily from our buffets, restaurants, bars, nightclubs, and lounges located throughout our casinos, as well as banquets and room service. Our other revenues are generated primarily from third-party real estate leasing arrangements at our properties, revenue from company-operated retail stores, revenue from parking, revenue from our entertainment venues and The High Roller observation wheel and revenue earned from our casino management service fees and reimbursed management costs charged to third parties.

Net Revenues - Consolidated

<i>(Dollars in millions)</i>	Three Months Ended March 31,		Fav/(Unfav)	
	2019	2018	\$	%
Casino	\$ 1,083	\$ 983	\$ 100	10.2%
Food and beverage	398	383	15	3.9%
Rooms	386	367	19	5.2%
Other revenue	181	172	9	5.2%
Management fees	15	15	—	—%
Reimbursed management costs	52	52	—	—%
Net revenues	<u>\$ 2,115</u>	<u>\$ 1,972</u>	<u>\$ 143</u>	<u>7.3%</u>

Complimentaries

As part of our normal business operations, we often provide lodging, transportation, food and beverage, entertainment and other goods and services to our customers at no additional charge. Alternatively, Caesars Rewards (our customer loyalty program) Reward Credits can be redeemed for these services. Both are considered complimentaries. Such complimentaries are provided in conjunction with other revenue-earning activities and are generally provided to encourage additional customer spending on those activities. The table below represents the amounts recorded within net revenues above relating to these complimentaries.

Retail Value of Complimentaries

<i>(In millions)</i>	Three Months Ended March 31,	
	2019	2018
Food and beverage	\$ 149	\$ 149
Rooms	114	108
Other	25	15
Total complimentaries	\$ 288	\$ 272

Net Revenues - Segment

<i>(Dollars in millions)</i>	Three Months Ended March 31,		Fav/(Unfav)	
	2019	2018	\$	%
Las Vegas	\$ 955	\$ 903	\$ 52	5.8%
Other U.S.	1,010	926	84	9.1%
All Other	150	143	7	4.9%
Net revenues	\$ 2,115	\$ 1,972	\$ 143	7.3%

Cash ADR ⁽¹⁾

Three Months Ended March 31, 2019 versus 2018



⁽¹⁾ Cash average daily rate ("cash ADR") is a key indicator by which we evaluate the performance of our properties and is determined by rooms revenues and rooms occupied.

Three Months Ended March 31, 2019 vs. 2018

Net revenue increased \$143 million, or 7.3%, in 2019 compared with 2018 primarily due to the following:

- Casino revenues increased \$100 million in 2019 compared with 2018 primarily due to the acquisition of Centaur Holdings, LLC ("Centaur") which was acquired in July 2018 and contributed \$117 million in the Other U.S. segment. This increase was partially offset by a decrease of \$36 million in the Other U.S. segment primarily due to a decrease in gaming volume as a result of increased competition in Atlantic City and inclement weather across some of our properties, which resulted in prolonged closures at certain properties. Our Las Vegas segment increased \$17 million as a result of favorable hold and improved slot volumes.
- Rooms revenues increased \$19 million in 2019 compared with 2018 primarily due to an increase in occupancy rates and resort fee revenue in the Las Vegas region.
- Food and beverage revenues increased \$15 million in 2019 compared with 2018 primarily due to increased revenues from food and beverage outlets in the Las Vegas region.

Analysis of Key Drivers of Income from Operations Performance

Income from Operations by Category - Consolidated

<i>(Dollars in millions)</i>	Three Months Ended March 31,		Fav/(Unfav)	
	2019	2018	\$	%
Net revenues	\$ 2,115	\$ 1,972	\$ 143	7.3 %
Operating expenses				
Casino	618	562	(56)	(10.0)%
Food and beverage	269	264	(5)	(1.9)%
Rooms	117	114	(3)	(2.6)%
Property, general, administrative, and other	460	427	(33)	(7.7)%
Reimbursable management costs	52	52	—	— %
Depreciation and amortization	247	280	33	11.8 %
Corporate expense	83	82	(1)	(1.2)%
Other operating costs	29	66	37	56.1 %
Total operating expenses	1,875	1,847	(28)	(1.5)%
Income from operations	\$ 240	\$ 125	\$ 115	92.0 %

Income from Operations - Segment

<i>(Dollars in millions)</i>	Three Months Ended March 31,		Fav/(Unfav)	
	2019	2018	\$	%
Las Vegas	\$ 226	\$ 148	\$ 78	52.7%
Other U.S.	116	86	30	34.9%
All Other	(102)	(109)	7	6.4%
Income from operations	\$ 240	\$ 125	\$ 115	92.0%

Three Months Ended March 31, 2019 vs. 2018

Income from operations increased \$115 million, or 92.0%, in 2019 compared with 2018 primarily due to the following:

- Net revenues increased \$143 million in 2019 compared with 2018 as explained above.
- This increase was offset by an increase in operating expenses of \$28 million in 2019 compared with 2018 primarily due to the acquisition of Centaur which contributed \$96 million to the increase. In addition to the effect of Centaur, operating expenses decreased \$68 million primarily due to the following:
 - Depreciation and amortization decreased \$44 million primarily as a result of assets that incurred depreciation in the first quarter of 2018 which were fully depreciated before the first quarter of 2019 as well as lower accelerated depreciation in 2019 compared with 2018 due to the removal and replacement of certain assets in connection with ongoing property renovation projects in the prior year.
 - Other operating costs decreased \$38 million primarily as a result of higher nonrecurring charges in the prior year related to additional exit fees of \$27 million recognized for the termination of NV Energy utility contracts and \$20 million in lease termination costs, partially offset by an increase in professional service costs of \$6 million.
 - These decreases were partially offset by an increase of \$12 million primarily driven by higher costs in support of our technology infrastructure and expenses related to our sports partnerships (see Note 8). These costs are included in Property, general, administrative, and other in 2019.

Other Factors Affecting Net Loss

Other Factors Affecting Net Loss - Consolidated

<i>(Dollars in millions)</i>	Three Months Ended March 31,		Fav/(Unfav)	
	2019	2018	\$	%
Interest expense	\$ (349)	\$ (330)	\$ (19)	(5.8)%
Other income/(loss)	(138)	184	(322)	*
Income tax benefit/(provision)	29	(13)	42	*

Interest Expense

<i>(Dollars in millions)</i>	Three Months Ended March 31,		Fav/(Unfav)	
	2019	2018	\$	%
Failed sale-leasebacks	\$ 224	\$ 215	\$ (9)	(4.2)%
CEOC LLC Term Loan	18	16	(2)	(12.5)%
Golf Course Use Agreement	3	3	—	—%
CRC Term Loan	61	51	(10)	(19.6)%
CRC Notes	22	24	2	8.3%
CEC Convertible Notes	14	14	—	—%
Other interest expense	7	7	—	—%
Total interest expense	\$ 349	\$ 330	\$ (19)	(5.8)%

Interest expense increased \$19 million, or 5.8%, for the three months ended March 31, 2019 compared with the same period in 2018 primarily due to the following:

- Failed sale-leaseback interest expense increased \$9 million primarily as a result of the failed sale-leaseback financing obligations established for Octavius Tower at Caesars Palace and Harrah's Philadelphia Casino and Racetrack, which were sold to VICI in the second half of 2018.
- CRC Term Loan interest expense increased \$10 million as a result of an increase in the floating London Interbank Offered Rate ("LIBOR").

Other Income/(Loss)

For the three months ended March 31, 2018, other income primarily relates to a benefit of \$160 million due to a change in fair value of the derivative liability related to the conversion option of the CEC Convertible Notes and a benefit of \$10 million due to a change in the fair value of the disputed claims liability related to the CEC Convertible Notes and CEC common stock estimated to be used to settle those claims (see Note 6 for further details).

For the three months ended March 31, 2019, other loss primarily relates to a loss of \$162 million due to a change in fair value of the derivative liability related to the conversion option of the CEC Convertible Notes and a loss of \$6 million due to a change in the fair value of the disputed claims liability related to the CEC Convertible Notes and CEC common stock estimated to be used to settle those claims. These losses were partially offset by other income of \$16 million in insurance claim recoveries associated with our emergence from bankruptcy and dividend and interest income of \$4 million.

Income Tax Benefit/(Provision)

For the three months ended March 31, 2019 and 2018, the income tax benefit/(provision) was a benefit of \$29 million and a provision of \$13 million, respectively. The income tax benefit for the three months ended March 31, 2019 differed from the expected income tax benefit based on the federal tax rate of 21% primarily due to losses from continuing operations not tax benefitted, nondeductible expenses and state deferred tax expense from the election to treat one of our subsidiaries as a corporation for federal and state income tax purposes. This election was effective January 1, 2019. The income tax provision related to the loss before income taxes for the three months ended March 31, 2018 differed from the expected federal tax rate of 21% primarily due to losses from continuing operations not tax benefitted and nondeductible expenses. See Note 13 for additional information.

Reconciliation of Non-GAAP Financial Measures

Adjusted earnings before interest, taxes, depreciation and amortization (“EBITDA”) is presented as a measure of the Company’s performance. Adjusted EBITDA is defined as revenues less operating expenses and is comprised of net income/(loss) before (i) interest expense, net of interest capitalized and interest income, (ii) income tax (benefit)/provision, (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 Adjusted 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 Adjusted EBITDA should not be construed as an inference that future results will be unaffected by unusual or unexpected items.

Adjusted 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 generally accepted accounting principles, “GAAP”). Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies within the industry. Adjusted EBITDA is included because management uses Adjusted EBITDA to measure performance and allocate resources, and believes that Adjusted EBITDA provides investors with additional information consistent with that used by management.

Reconciliation of Adjusted EBITDA

<i>(In millions)</i>	Three Months Ended March 31,	
	2019	2018
Net loss attributable to Caesars	\$ (217)	\$ (34)
Net loss attributable to noncontrolling interests	(1)	—
Income tax (benefit)/provision	(29)	13
Other (income)/loss ⁽¹⁾	138	(184)
Interest expense	349	330
Depreciation and amortization	247	280
Other operating costs ⁽²⁾	29	66
Stock-based compensation expense	21	18
Other items ⁽³⁾	25	29
Adjusted EBITDA	\$ 562	\$ 518

⁽¹⁾ Amounts include changes in fair value of the derivative liability related to the conversion option of the CEC Convertible Notes and the disputed claims liability as well as interest and dividend income.

⁽²⁾ Amounts primarily represent costs incurred in connection with development activities and reorganization activities, and/or recoveries associated with such items, including acquisition and integration costs, contract exit fees including exiting the fully bundled sales system of NV Energy for electric service at our Nevada properties, lease termination costs, weather related property closure costs, severance costs, gains and losses on asset sales, demolition costs primarily at our Las Vegas properties for renovations, and project opening costs.

⁽³⁾ Amounts include other add-backs and deductions to arrive at Adjusted EBITDA but not separately identified such as professional and consulting services, sign-on and retention bonuses, business optimization expenses and transformation expenses, severance and relocation costs, litigation awards and settlements, and permit remediation costs.

Segment Adjusted EBITDA ⁽¹⁾

<i>(Dollars in millions)</i>	Three Months Ended March 31,		Fav/(Unfav)	
	2019	2018	\$	%
Las Vegas	\$ 360	\$ 321	\$ 39	12.1 %
Other U.S.	233	216	17	7.9 %
All Other	(31)	(19)	(12)	(63.2)%
Adjusted EBITDA	\$ 562	\$ 518	\$ 44	8.5 %

⁽¹⁾ See reconciliation of Net income/(loss) attributable to Caesars to Adjusted EBITDA by segment in Note 15.

Liquidity and Capital Resources

Liquidity Discussion and Analysis

CEC has no requirement to fund the operations of its subsidiaries Caesars Resort Collection, LLC (“CRC”), CEOC, LLC (“CEOC LLC”), or their subsidiaries; however, the payment of all monetary obligations under CEOC LLC’s leases with VICI is guaranteed by CEC. CEC cash outflows are primarily used for corporate development opportunities, other corporate-level activity and litigation. In addition, because CEC has no operations of its own and due to the restrictions under its subsidiaries’ lending arrangements, CEC has limited ability to raise additional capital.

Cash and cash equivalents as of March 31, 2019, as shown in the table below, includes amounts held by CRC and CEOC LLC, which are not readily available to CEC. Other includes \$384 million in cash at CEC (the parent holding company), \$138 million related to insurance captives, and \$68 million related to the casino resort project in Incheon, South Korea (see Note 2).

Summary of Cash and Revolver Capacity

<i>(In millions)</i>	March 31, 2019			
	CRC	CEOC LLC	Other	Caesars
Cash and cash equivalents	\$ 328	\$ 392	\$ 675	\$ 1,395
Revolver capacity	1,000	200	—	1,200
Revolver capacity committed to letters of credit	(37)	(39)	—	(76)
Total	\$ 1,291	\$ 553	\$ 675	\$ 2,519

CRC and CEOC LLC’s sources of liquidity are independent of one another and primarily include currently available cash and cash equivalents, cash flows generated from their operations, and borrowings under their separate revolving credit facilities (see Note 9). Operating cash inflows are typically used for operating expenses, debt service costs, lease payments and working capital needs. CRC and CEOC LLC are highly leveraged, and a significant portion of their liquidity needs are for debt service and financing obligations, as summarized below.

During the three months ended March 31, 2019, our operating activities yielded consolidated operating cash inflows of \$255 million, which is an increase of \$233 million from the three months ended March 31, 2018 primarily due favorable changes in working capital. We believe that our cash flows from operations are sufficient to cover planned capital expenditures for ongoing property renovations and our total estimated financing activities during the next 12 months. However, if needed, our existing cash and cash equivalents and availability under our revolving credit facilities are available to further support operations during the next 12 months and the foreseeable future. In addition, restrictions under our lending arrangements generally prevent the distribution of cash from our subsidiaries to CEC, except for certain restricted payments.

During the three months ended March 31, 2019, we paid \$231 million in interest, which includes \$79 million of interest associated with our debt and \$152 million of interest related to our financing obligations and the Golf Course Use Agreement. Our capital expenditures were \$218 million during the three months ended March 31, 2019 in support of our ongoing property renovations, see Capital Spending and Development section below.

Our ability to fund operations, pay debt and financing 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 fund liquidity needs, pay indebtedness and financing obligations, and secure additional funds through financing activities.

The foregoing liquidity discussions are forward-looking statements based on assumptions as of the date of this filing that may or may not prove to be correct. Actual results may differ materially from our present expectations. Factors that may cause actual results to differ materially from present expectations include, without limitation, the positive or negative changes in the operational and other matters assumed in preparing our forecasts.

Debt and Lease-Related Obligations

As noted above, we are a highly-leveraged company and had \$9.0 billion in face value of debt outstanding and \$10.0 billion of failed sale-leaseback financing obligations as of March 31, 2019. As a result, a significant portion of our liquidity needs are for debt service, including significant interest and principal payments associated with our financing obligations. As detailed in the table below, our estimated debt service (including principal and interest) is \$448 million for the remainder of 2019 and \$11.2

billion thereafter to maturity and our estimated financing obligations are \$590 million for the remainder of 2019 and \$37.3 billion thereafter to maturity.

Financing Activities as of March 31, 2019

<i>(In millions)</i>	Remaining	Years Ended December 31,					Thereafter	Total
	2019	2020	2021	2022	2023			
Annual maturities of long-term debt	\$ 48	\$ 64	\$ 64	\$ 64	\$ 64	\$ 8,655	\$ 8,959	
Estimated interest payments	400	460	450	440	430	520	2,700	
Total debt service payments ⁽¹⁾	448	524	514	504	494	9,175	11,659	
Financing obligations - principal	14	23	26	28	33	8,400	8,524	
Financing obligations - interest	576	777	788	799	814	25,618	29,372	
Total financing obligation payments ⁽²⁾	590	800	814	827	847	34,018	37,896	
Total financing activities	\$ 1,038	\$ 1,324	\$ 1,328	\$ 1,331	\$ 1,341	\$ 43,193	\$ 49,555	

⁽¹⁾ Debt principal payments are estimated amounts based on maturity dates and potential borrowings under our revolving credit facility. Interest payments are estimated based on the forward-looking LIBOR curve and include the estimated impact of the ten interest rate swap agreements (see Note 6). Actual payments may differ from these estimates.

⁽²⁾ Financing obligation principal and interest payments are estimated amounts based on the future minimum lease payments and certain estimates based on contingent rental payments (as described below). Actual payments may differ from the estimates.

For our amended leases with VICI, we assume the renewals are probable and include renewal commitments in the estimated financing obligations in the table above. In addition, the future lease payment amounts included in the table above represent the contractual lease payments adjusted for estimated escalations, as determined by the underlying lease agreements. The estimates are based on the terms and conditions known at the inception of the leases, as amended. However, a portion of the actual payments will be determined in the period in which they are due, and therefore, actual lease payments may differ from our estimates.

As described in Note 2 to our financial statements, we are party to a joint venture referred to as the Korea JV that we consolidate into our financial statements. The purpose of the Korea JV is to develop, acquire, own and operate a resort casino in Incheon, South Korea. To finance construction of the project, the Korea JV intends to incur debt in the amount of \$575 million to \$675 million to supplement the equity capital being contributed by us and our joint venture partner. This debt will, when incurred, be included on our Balance Sheets, but will have no associated net income impact until the project is completed.

We are continually evaluating opportunities to improve our capital structure and will seek to refinance our financial obligations or otherwise engage in transactions impacting our capital structure when market and other conditions are attractive to us. These transactions may involve refinancing or new senior credit facilities, tender or exchange offers, issuance of new bonds and/or sale-leasebacks.

Capital Spending and Development

We incur capital expenditures in the normal course of business, and we perform ongoing refurbishment and maintenance at our properties to maintain our quality standards. We also continue to pursue development and acquisition opportunities for additional casino entertainment and other hospitality facilities, and 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 is typically funded from established debt programs, specific project financing, and additional debt offerings.

Summary of Consolidated Capital Expenditures

<i>(In millions)</i>	Three Months Ended March 31,		Increase/ (Decrease)
	2019	2018	
Maintenance ⁽¹⁾	\$ 153	\$ 74	\$ 79
Development ⁽²⁾	65	11	54
Total capital expenditures	\$ 218	\$ 85	\$ 133

Included in capital expenditures:			
Capitalized payroll costs	\$ 8	\$ 2	
Capitalized interest	5	2	

⁽¹⁾ Maintenance capital expenditures include room renovations as well as information technology, marketing, analytics, accounting, payroll, and other projects that benefit the operating structures.

⁽²⁾ Development capital expenditures include projects such as CAESARS FORUM, the casino resort project in Incheon, South Korea, and Centaur integration costs.

For the three months ended March 31, 2019, capital expenditures were primarily related to development of a casino resort project in Incheon, South Korea and a new convention center in Las Vegas (“CAESARS FORUM”).

Our projected capital expenditures for 2019 range from \$850 million to \$1 billion. We expect to fund capital expenditures from cash flows generated by operating activities.

Our projected maintenance capital expenditures for 2019 range from \$375 million to \$450 million and include estimates for:

- Hotel remodeling projects at Harrah’s Las Vegas, Paris Las Vegas, Harrah’s Atlantic City, and Horseshoe South Indiana; and
- Information technology, marketing, analytics, accounting, payroll, and other projects that benefit the operating structures.

Our projected development capital expenditures for 2019 range from \$475 million to \$550 million and include estimates for:

- Development of CAESARS FORUM and Sportsbooks in various states; and
- Development of a casino resort project in Incheon, South Korea through a joint venture.

Under our lease agreements with VICI, we are required to spend certain minimum amounts on capital expenditures.

Our planned development projects, if they proceed, will require significant capital commitments, individually and in the aggregate, 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.

There are various risks and uncertainties and the expected capital expenditures set forth above may change for various reasons, including our financial performance and market conditions.

We are considering divestiture opportunities of non-strategic assets and properties. If a sale completion is more likely than not to occur, to the extent expected proceeds are below our carrying value, we may recognize impairments which may be material.

Related Party Transactions

For a description of the nature and extent of related party transactions, see Note 14.

Critical Accounting Policies and Estimates

For information on critical accounting policies and estimates, see “Critical Accounting Policies and Estimates” in MD&A of the 2018 Annual Report. There have been no changes to these policies during the three months ended March 31, 2019.

Recently Issued Accounting Standards

See Note 3 for discussions of the adoption and potential effects of recently issued accounting standards.

Contractual Obligations and Commitments

Material changes to our aggregate indebtedness, if any, are described in Note 9.

Except as described in Note 8, as of March 31, 2019, there have been no other 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 2018 Annual Report.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

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

Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include without limitation:

- our ability to respond to changes in the industry, particularly digital transformation, and to take advantage of the opportunity for legalized sports betting in multiple jurisdictions in the United States (which may require third-party arrangements and/or regulatory approval);
- development of our announced convention center in Las Vegas, CAESARS FORUM, and certain of our other announced projects are subject to risks associated with new construction projects, including those described below;
- we may not be able to realize the anticipated benefits of our acquisition of Centaur, including anticipated benefits from introducing table games to the acquired properties, which is subject to approvals and may not occur;
- the impact of our operating structure following CEOC’s emergence from bankruptcy;
- 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 effect of reductions in consumer discretionary spending due to economic downturns or other factors and changes in consumer demands;
- foreign regulatory policies, particularly in mainland China or other countries in which our customers reside or where we have operations, including restrictions on foreign currency exchange or importation of currency, and the judicial enforcement of gaming debts;
- the ability to realize improvements in our business and results of operations through our property renovation investments, technology deployments, business process improvement initiatives, and other continuous improvement initiatives;
- the ability to take advantage of opportunities to grow our revenue;
- the ability to use net operating losses to offset future taxable income as anticipated;
- the ability to realize all of the anticipated benefits of current or potential future acquisitions;
- the ability to effectively compete against our competitors;
- the financial results of our consolidated businesses;
- the impact of our substantial indebtedness, including its impact on our ability to raise additional capital in the future and react to changes in the economy, and lease obligations and the restrictions in our debt and lease agreements;
- the ability to access available and reasonable financing or additional capital on a timely basis and on acceptable terms or at all, including our ability to refinance our indebtedness on acceptable terms;
- the ability of our customer tracking, customer loyalty, and yield management programs to continue to increase customer loyalty and hotel sales;

- changes in the extensive governmental regulations to which we are subject and (i) changes in laws, including increased tax rates, smoking bans, regulations, or accounting standards; (ii) third-party relations; and (iii) approvals, decisions, disciplines and fines of courts, regulators, and governmental bodies;
- compliance with the extensive laws and regulations to which we are subject, including applicable gaming laws, the Foreign Corrupt Practices Act and other anti-corruption laws, and the Bank Secrecy Act and other anti-money laundering laws;
- our ability to recoup costs of capital investments through higher revenues;
- growth in consumer demand for non-gaming offerings;
- abnormal gaming holds (“gaming hold” is the amount of money that is retained by the casino from wagers by customers);
- the effects of competition, including locations of competitors, growth of online gaming, competition for new licenses, and operating and market competition;
- our ability to protect our intellectual property rights and damages caused to our brands due to the unauthorized use of our brand names by third parties in ways outside of our control;
- the ability to timely and cost-effectively integrate companies that we acquire into our operations;
- the ability to execute on our brand licensing and management strategy is subject to third party agreements and other risks associated with new projects;
- not being able to realize all of our anticipated cost savings;
- the potential difficulties in employee retention, recruitment, and motivation, including in connection with our Chief Executive Officer transition;
- our ability to retain our performers or other entertainment offerings on acceptable terms or at all;
- the risk of fraud, theft, and cheating;
- seasonal fluctuations resulting in volatility and an adverse effect on our operating results;
- any impairments to goodwill, indefinite-lived intangible assets, or long-lived assets that we may incur;
- construction factors, including delays, increased costs of labor and materials, availability of labor and materials, zoning issues, environmental restrictions, soil and water conditions, weather and other hazards, site access matters, and building permit issues;
- the impact of adverse legal proceedings 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, losses in revenues and damage to property, and the impact of severe weather conditions on our ability to attract customers to certain facilities of ours;
- fluctuations in energy prices;
- work stoppages and other labor problems;
- our ability to collect on credit extended to our customers;
- the effects of environmental and structural building conditions relating to our properties and our exposure to environmental liability, including as a result of unknown environmental contamination;
- a disruption, failure, or breach of our network, information systems, or other technology, or those of our vendors, on which we are dependent;
- risks and costs associated with protecting the integrity and security of internal, employee, and customer data;

- access to insurance for our assets on reasonable terms;
- the impact, if any, of unfunded pension benefits under multi-employer pension plans; and
- the other factors set forth under “Risk Factors” in our 2018 Annual Report.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Of our \$9.0 billion face value of debt, as of March 31, 2019, we have entered into ten interest rate swap agreements to fix the interest rate on \$3.0 billion of variable rate debt, and \$3.1 billion of debt remains subject to variable interest rates for the term of the agreement. While we may enter into agreements limiting our exposure to higher interest rates, any such agreements may not offer complete protection from this risk. We do not purchase or hold any derivative financial instruments for trading purposes. See Note 6 for additional information.

There have been no other material changes to our market risk in 2019. For information on our exposure to market risk, refer to Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” contained in our 2018 Annual Report.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the specified time periods and accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act) at March 31, 2019. Based on this evaluation required by paragraph (b) of Rules 13a-15 or 15d-15, our CFO, in his role as the principal financial officer and in performing the functions of the principal executive officer, concluded that our disclosure controls and procedures were effective as of March 31, 2019.

Changes in Internal Controls

We have commenced several transformation initiatives to automate and simplify our business processes. These are long-term initiatives that we believe will enhance our internal control over financial reporting due to increased automation and integration of related processes. We will continue to monitor and evaluate our internal control over financial reporting throughout the transformation.

There have not been any other changes in our internal control over financial reporting during the three months ended March 31, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are a defendant in various lawsuits or other legal proceedings relating to matters incidental to our business. Some of these matters involve commercial or contractual disputes, intellectual property claims, legal compliance, personal injury claims, and employment claims. As with all legal proceedings, no assurance can be provided as to the outcome of these matters and in general, legal proceedings can be expensive and time consuming. We may not be successful in the defense or prosecution of these lawsuits, which could result in settlements or damages that could significantly impact our business, financial condition, and results of operations. See Note 8.

Item 1A. Risk Factors

The following supplements our risk factor set forth in our 2018 Annual Report entitled “We extend credit to a portion of our customers, and we may not be able to collect gaming receivables from our credit customers.” This supplemental risk factor specifically updates our discussion of foreign enforcement of gaming debts.

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

We conduct our gaming activities on a credit and cash basis at many of our properties. Any such credit we extend is unsecured. Table games players typically are extended more credit than slot players, and high-stakes players typically are extended more credit than customers who tend to wager lower amounts. High-end gaming is more volatile than other forms of gaming, and variances in win-loss results attributable to high-end gaming may have a significant positive or negative impact on cash flow and earnings in a particular quarter. We extend credit to those customers whose level of play and financial resources warrant, in the opinion of management, an extension of credit. These large receivables could have a significant impact on our results of operations if deemed uncollectible. Gaming debts evidenced by a credit instrument, including what is commonly referred to as a “marker,” and judgments on gaming debts are enforceable under the current laws of the jurisdictions in which we allow play on a credit basis, and judgments on gaming debts in such jurisdictions are enforceable in all U.S. states under the Full Faith and Credit Clause of the U.S. Constitution. However, other jurisdictions may determine that enforcement of gaming debts is against public policy. Although courts of some foreign nations will enforce gaming debts directly and the assets in the U.S. of foreign debtors may be reached to satisfy a judgment, judgments on gaming debts from U.S. courts are not binding on the courts of many foreign nations.

In addition, in November 2017, the Chinese government adopted new rules to control the cross-border transportation of cash and bearer negotiable instruments, specifically to reduce the international transfer of cash in connection with activities that are illegal in China, including gambling. The Chinese government has recently taken steps to prohibit the transfer of cash for the payment of gaming debts. These developments may have the effect of reducing the collectability of gaming debts of players from China. It is unclear whether these and other measures will continue to be in effect or become more restrictive in the future. These and any future foreign currency control policy developments that may be implemented by foreign jurisdictions could significantly impact our business, financial condition and results of operations.

For a discussion of additional risk factors that could cause actual results to differ materially from those anticipated, please refer to our 2018 Annual Report.

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 April 29, 2019, the Company approved an amendment (the “Amendment”) to that certain employment agreement, dated November 20, 2014, as amended, by and between Caesars Entertainment Services, LLC (“CES”) and Eric Hession (the “Employment Agreement”). The Amendment provides that in the event that CES notifies Mr. Hession that the Employment

Agreement will not be renewed, Mr. Hession will be entitled to receive the same severance benefits that he would be entitled to receive upon a termination of his employment without Cause, for Good Reason or due to his Disability, as such terms are defined in the Employment Agreement.

The foregoing summary is qualified in its entirety by reference to the full text of the Amendment, which is attached hereto as Exhibit 10.4 and incorporated by reference herein.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
3.1	Bylaws of Caesars Entertainment Corporation, dated March 28, 2019.	X				5/1/2019
†10.1	Employment Agreement, by and between Caesars Enterprise Services, LLC and Anthony P. Rodio, dated as of April 15, 2019.	—	8-K	—	10.1	4/16/2019
†10.2	Employment Agreement dated January 18, 2016 between Caesars Enterprise Services, LLC and Les Ottolenghi.	—	10-K/A	12/31/2018	10.118	4/26/2019
†10.3	Amendment No. 1 to Employment Agreement dated January 18, 2016 between Caesars Enterprise Services, LLC and Les Ottolenghi, effective as of March 8, 2017.	—	10-K/A	12/31/2018	10.119	4/26/2019
†10.4	Amendment No. 2 to Employment Agreement, effective as of April 29, 2019, by and between Caesars Enterprise Services, LLC and Eric Hession.	X				5/1/2019
31.1	Certification of Principal Executive and Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X				5/1/2019
*32.1	Certification of Principal Executive and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X				5/1/2019
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X				
101.SCH	XBRL Taxonomy Extension Schema Document	X				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	X				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	X				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	X				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X				
*	Furnished herewith.					
†	Denotes a management contract or compensatory plan or arrangement.					

SIGNATURE

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

CAESARS ENTERTAINMENT CORPORATION

May 1, 2019

By: _____ /S/ KEITH A. CAUSEY

Keith A. Causey

Senior Vice President and Chief Accounting Officer

**BY-LAWS
OF
CAESARS ENTERTAINMENT CORPORATION
(Effective as of March 28, 2019)**

**ARTICLE I.
OFFICES**

SECTION 1. **Registered Office.** The registered office of Caesars Entertainment Corporation (the “Corporation”) shall be at 2711 Centerville Road, Suite 400, Wilmington, New Castle County, DE 19808.

SECTION 2. **Other Offices.** The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors of the Corporation (the “Board of Directors”) may from time to time determine.

SECTION 3. **Books and Records.** The books and records of the Corporation may be kept outside the State of Delaware at such place or places as may from time to time be designated by the Board of Directors.

**ARTICLE II.
MEETINGS OF STOCKHOLDERS**

SECTION 1. **Meetings of Stockholders.** Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place, if any, either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof. Meetings may be held without notice if all stockholders entitled to vote are present, or if notice is waived by those not present in accordance with Article VI, Section 2 of these By-Laws. Any previously scheduled meeting of the stockholders that was called by the Board of Directors (and not by or at the direction of stockholders) may be postponed, and (unless the Certificate of Incorporation otherwise provides) any special meeting of the stockholders that was called by the Board of Directors (and not by or at the direction of stockholders) may be cancelled, by resolution of the Board of Directors upon public announcement given prior to the date previously scheduled for such meeting of stockholders that was called by the Board of Directors (and not by or at the direction of stockholders).

SECTION 2. **Annual Meetings.** If required by applicable law, an annual meeting of stockholders shall be held on such date and at such time and place, if any, either within or outside the State of Delaware, as may be fixed by the Board of Directors and stated in the notice of the meeting, for the purpose of electing directors and for the transaction of only such other business as is properly brought before the meeting in accordance with these By-Laws. The Board of

Directors may postpone, reschedule or cancel any annual meeting of stockholders previously scheduled by the Board of Directors.

Notice of an annual meeting stating the place, if any, date and hour of the meeting, the means of remote communication, if any, by which stockholders may be deemed to be present at such meeting, and the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for determining stockholders entitled to notice of the meeting) shall be given to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting, unless otherwise provided by law or these By-Laws. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. Such further notice shall be given as may be required by law.

To be properly brought before the annual meeting, business (other than the election of directors) must be either (i) specified in the notice of annual meeting (or any supplement or amendment thereto) given by or at the direction of the Board of Directors (or any committee thereof), (ii) otherwise brought before the annual meeting by or at the direction of the Board of Directors (or any committee thereof), or (iii) otherwise properly brought before the annual meeting by a stockholder of record at the time the notice provided for in this Article II, Section 2 is delivered to the Secretary who is entitled to vote at the meeting and complies with the notice requirements set forth in this Section. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. A stockholder's notice to the Secretary shall set forth (a) as to each matter the stockholder proposes to bring before the annual meeting (1) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting and the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the By-Laws, the language of the proposed amendment) and (2) any material interest of the stockholder (and the beneficial owner, if any, on whose behalf the proposal is made) in such business and (b) as to the stockholder of record giving the notice or the beneficial owner, if any, on behalf of which the notice is given (1) the name and record address of the stockholder as they appear on the Corporation's books, and of such beneficial owner, (2) the class and series, if any, and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder and beneficial owner, (3) a representation that

the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business, and (4) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal and/or (y) otherwise to solicit proxies from stockholders in support of such proposal.

The foregoing notice requirements of this Article II, Section 2 shall be deemed satisfied by a stockholder if the stockholder has notified the Corporation of his intention to present a proposal at an annual meeting in compliance with applicable rules and regulations promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting.

Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Article II, Section 2. The presiding person at an annual meeting shall, if the facts warrant, determine and declare to the annual meeting that business was not properly brought before the annual meeting in accordance with the provisions of this Article II, Section 2 (including whether the stockholder or beneficial owner, if any, on whose behalf the proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's proposal in compliance with such stockholder's representation as required by this Article II, Section 2), and if such officer should so determine, such officer shall so declare to the annual meeting and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Article II, Section 2, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual meeting of stockholders of the Corporation to present such proposed business, such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Article II, Section 2 (and for purposes of Article III, Section 3 below), to be considered a qualified representative of the stockholder, a person must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the annual meeting of stockholders.

For purposes of this Article II, Section 2 (and Article III, Section 3 below), "public announcement" shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

Notwithstanding the foregoing provisions of this Article II, Section 2, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Article II, Section 2. Nothing in this Article II, Section 2 shall be deemed to affect any rights of stockholders to request inclusion of proposals

in the Corporation's proxy statement pursuant to applicable rules and regulations promulgated under the Exchange Act.

SECTION 3. Special Meetings. Subject to the rights of the holders of any series of stock having a preference over the Common Stock of the Corporation as to dividends or upon liquidation ("Preferred Stock") with respect to such series of Preferred Stock, unless otherwise prescribed by law or by the Certificate of Incorporation, special meetings of stockholders, for any purpose or purposes, may only be called by a majority of the entire Board of Directors or stockholders of the Corporation holding at least 15% of the Common Stock of the Corporation, in the aggregate. The Board of Directors may postpone, reschedule or cancel any special meeting of stockholders previously called or scheduled by a majority of the entire Board of Directors; provided, however, notwithstanding anything in these By-Laws to the contrary, the Board of Directors may not postpone or cancel any special meeting of stockholders called or scheduled by any stockholder(s) of the Corporation. Notice of a special meeting stating the place, if any, date and hour of the meeting, the means of remote communication, if any, by which stockholders may be deemed to be present at such meeting, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for determining stockholders entitled to notice of the meeting), and the purpose or purposes of the meeting shall be given to each stockholder entitled to vote at such meeting, as of the record date for determining the stockholders entitled to notice of the meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting, unless otherwise provided by law or these By-Laws. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting.

SECTION 4. Quorum; Adjournments. Except as otherwise provided by law or by the Certificate of Incorporation, the presence, in person or by proxy, of the holders of record of shares of capital stock of the Corporation entitling the holders thereof to cast a majority of the votes entitled to be cast by the holders of shares of capital stock entitled to vote at the meeting shall constitute a quorum at all meetings of the stockholders. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the presiding person of the meeting or the holders of a majority of the votes entitled to be cast by the stockholders entitled to vote thereat, present in person or represented by proxy may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented by proxy. Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, if any, and notice need not be given of any such adjourned meeting if the time and place, if any, thereof are announced at the meeting at which the adjournment is taken. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

SECTION 5. Voting. At all meetings of stockholders for the election of directors at which a quorum is present, directors shall be elected by a plurality of the votes cast by the holders of

shares of capital stock entitled to vote. All other questions brought before any meeting of stockholders at which a quorum is present shall, unless otherwise provided by law, the Certificate of Incorporation, these By-Laws, the rules or regulations of any stock exchange applicable to the Corporation or any other rules and regulations applicable to the Corporation or its securities, be decided by the affirmative vote of a majority of the votes cast by stockholders present in person or by proxy at the meeting and entitled to vote thereat. Each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder, unless otherwise provided by the Certificate of Incorporation. Such votes may be cast in person or by proxy but no proxy shall be voted after three years from its date, unless such proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by delivering to the Secretary of the Corporation a revocation of the proxy or a new proxy bearing a later date. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his discretion, may require that any votes cast at such meeting shall be cast by written ballot.

SECTION 6. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting (provided, however, if the record date for determining the stockholders entitled to vote is less than ten (10) days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth day of the meeting), arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of meeting or (ii) during ordinary business hours at the principal place of business of the Corporation. The list of stockholders must also be open to examination at the meeting as required by applicable law. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

SECTION 7. Stock Ledger. Except as otherwise provided by law, the stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 6 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

SECTION 8. Inspectors of Election. The Corporation may, and shall if required by law, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may be employees of the Corporation, to act at the meeting or any adjournment thereof and to make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath to execute faithfully the duties of inspector with strict

impartiality and according to the best of his ability. The inspector or inspectors so appointed or designated shall (i) ascertain the number of shares of capital stock of the Corporation outstanding and the voting power of each such share, (ii) determine the shares of capital stock of the Corporation represented at the meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares of capital stock of the Corporation represented at the meeting and such inspectors' count of all votes and ballots. Such certification and report shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the Corporation, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election.

SECTION 9. Conduct of Meetings. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the person presiding over the meeting. The Board of Directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the person presiding over any meeting of stockholders shall have the right and authority to convene and (for any or no reason) to recess and/or to adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such presiding person, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the presiding person of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the presiding person of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The presiding person at any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such presiding person should so determine, such presiding person shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board of Directors or the person presiding over the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

SECTION 10. Action Without Meeting. The stockholders may not in any circumstance take action by written consent in lieu of a meeting.

SECTION 11. Proxies. At all meetings of stockholders, a stockholder may vote by proxy executed in writing (or in such manner prescribed by the General Corporation Law of the State of Delaware) by the stockholder, or by his duly authorized attorney in fact.

ARTICLE III.

DIRECTORS

SECTION 1. **General Powers.** The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. In addition to the powers and authorities by these By-Laws expressly conferred upon them, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by law or by the Certificate of Incorporation required to be exercised or done by the stockholders.

SECTION 2. **Number, Tenure and Qualifications.** Subject to the provisions of the Certificate of Incorporation and the rights of the holders of Preferred Stock, the number of directors shall be fixed from time to time only pursuant to a resolution adopted by at least two-thirds (2/3) of the members of the entire Board of Directors. Subject to the rights of the holders of Preferred Stock, any vacancy in the Board of Directors that results from an increase in the number of directors, from the death, resignation or removal of any director or for any other cause shall be filled solely by a majority of the total number of directors then in office, even if less than a quorum, or by a sole remaining director. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

SECTION 3. **Classification/Declassification and Nomination of Directors.** The directors shall be elected in the manner provided in the Certificate of Incorporation.

Nominations of persons for election to the Board of Directors of the Corporation at the annual meeting may be made at such meeting only by or at the direction of the Board of Directors, by any committee or persons appointed by the Board of Directors or by any stockholder of the Corporation of record at the time the notice provided for in this Article III, Section 3 is delivered to the Secretary of the Corporation who is entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Article III, Section 3. Such nominations by any stockholder shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation).

Such stockholder's notice to the Secretary shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (a) the name, age, business address and residence address of the person, (b) the principal occupation or employment of the person, (c) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person, (d) such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected and (e) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant

to the Rules and Regulations of the Securities and Exchange Commission under Section 14 of the Exchange Act; (ii) as to the record stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made (a) the name and address of the stockholder as it appears on the Corporation's books, and of such beneficial owner, (b) the class and number of shares of capital stock of the Corporation which are owned beneficially and of record by the stockholder, (c) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such nomination, and (d) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (1) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to elect the nominee and/or (2) otherwise to solicit proxies from stockholders in support of such nomination.

The foregoing notice requirements of this Article III, Section 3 shall be deemed satisfied by a stockholder if the stockholder has notified the Corporation of his intention to present a nomination at an annual meeting in compliance with applicable rules and regulations promulgated under the Exchange Act and such stockholder's nomination has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein. The presiding person of an annual meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's nominee or proposal in compliance with such stockholder's representation as required by this Article III, Section 3), and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. The directors shall be elected at the annual meeting of the stockholders, except as provided in the Certificate of Incorporation, and each director elected shall hold office until his successor is duly elected and qualified. Notwithstanding the foregoing provisions of this Article III, Section 3, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination, such nomination shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

Notwithstanding anything to the contrary set forth in this Article III, Section 3 to the contrary, in the event that the number of directors to be elected to the Board of Directors at an annual meeting is increased and there is no public announcement by the Corporation naming the nominees for the additional directorships at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Article III, Section 3 shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

Notwithstanding the foregoing provisions of this Article III, Section 3, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Article III, Section 3. Nothing in this Article III, Section 3 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to applicable rules and regulations promulgated under the Exchange Act.

SECTION 4. Removal. Directors may only be removed in the manner provided in the Certificate of Incorporation.

SECTION 5. Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman of the Board or a majority of the entire Board of Directors. Notice thereof stating the place, if any, date and hour of the meeting shall be given to each director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone or by other means of electronic transmission on not less than twelve (12) hours' notice. A meeting may be held at any time without notice if all the directors are present or if those not present waive notice of the meeting in accordance with Article VI, Section 2 of these By-Laws.

SECTION 6. Quorum. Except as may be otherwise specifically provided by law, the Certificate of Incorporation or these By-Laws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and, except in cases in which the Certificate of Incorporation, these By-Laws or applicable law otherwise provides, the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, a majority of the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

SECTION 7. Actions by Unanimous Consent of Directors. Unless otherwise provided by the Certificate of Incorporation, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings (or electronic transmissions) are filed with the minutes of proceedings of the Board of Directors or committee in accordance with applicable law.

SECTION 8. Meetings by Means of Conference Telephone. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 8 of Article III shall constitute presence in person at such meeting.

SECTION 9. **Organization.** Meetings of the Board of Directors shall be presided over by the Chairman of the Board appointed pursuant to this Article III, Section 14, if any, or in his absence, by the Chairman of the Board appointed pursuant to Article IV, Section 4, if any, or in his absence, by the Chief Executive Officer (the “CEO”) (if the CEO is a director), or in their absence by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

SECTION 10. **Committees.** The Board of Directors may, by resolution of the Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent allowed by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation. Each committee shall keep regular minutes and report to the Board of Directors when required. A majority of any committee may determine its action and fix the time and place of its meetings. Notice of such meetings shall be given to each member of the committee in the manner provided for in Article III, Section 5 of these By-Laws. The Board shall have power at any time to fill vacancies in, to change the membership of, or to dissolve any such committee. Nothing herein shall be deemed to prevent the Board from appointing one or more committees consisting in whole or in part of persons who are not directors of the Corporation; provided, however, that no such committee shall have or may exercise any authority of the Board.

SECTION 11. **Records.** The Board of Directors shall cause to be kept a record containing the minutes of the proceedings of the meetings of the Board and of the stockholders, appropriate stock books and registers and such books of records and accounts as may be necessary for the proper conduct of the business of the Corporation.

SECTION 12. **Compensation.** The directors, or any members of special or standing committees, may be paid their expenses, if any, of attendance at each meeting of the Board of Directors (or committees thereof) and such additional compensation as determined by the Board of Directors. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

SECTION 13. **Interested Directors.** No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall, to the fullest extent permitted by law, be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the

contract or transaction, or solely because his or their votes are counted for such purpose if (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

SECTION 14. Non-Executive Chairman of the Board. The Board of Directors may annually elect one of its members to be Chairman of the Board and may fill any vacancy in the position of Chairman of the Board at such time and in such manner as the Board of Directors may determine. The Chairman of the Board appointed pursuant to this Article III, Section 14 shall not be an officer of, or employed in an executive or other capacity by, the Corporation. The Chairman of the Board appointed pursuant to this Article III, Section 14 shall preside at all meetings of stockholders and of the Board of Directors, have such other responsibilities as are assigned to the Chairman of the Board pursuant to these By-Laws (other than such responsibilities as are expressly assigned to any Chairman of the Board appointed pursuant to Article IV, Section 4 of these By-Laws) and have such other responsibilities as may be assigned to the Chairman of the Board from time to time by the Board of Directors.

ARTICLE IV.

OFFICERS

SECTION 1. General. The officers of the Corporation shall be chosen by the Board of Directors and shall be a CEO, a Secretary and a Treasurer. The Board of Directors, in its discretion, may also choose an executive Chairman of the Board of Directors (who must be a director), one or more Presidents, one or more Senior Vice Presidents, one or more Executive Vice Presidents, one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Certificate of Incorporation or these By-Laws. The officers of the Corporation need not be stockholders of the Corporation nor, except in the case of the Chairman of the Board of Directors, need such officers be directors of the Corporation.

SECTION 2. Election. The Board of Directors at its first meeting held after each annual meeting of stockholders shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The salaries of all officers who are directors of the Corporation shall be fixed by the Board of Directors.

SECTION 3. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the CEO, any President, any Senior Vice President or any Vice President and any such officer may, in the name and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

SECTION 4. Chairman of the Board of Directors. The Chairman of the Board of Directors, if there be one, shall preside at all meetings of the stockholders and of the Board of Directors. Except where by law the signature of the CEO is required, the Chairman of the Board of Directors appointed pursuant to this Article IV, Section 4 shall possess the same power as the CEO to sign all contracts, certificates and other instruments of the Corporation which may be authorized by the Board of Directors. During the absence or disability of the CEO, the Chairman of the Board of Directors appointed pursuant to this Article IV, Section 4 shall exercise all the powers and discharge all the duties of the CEO. The Chairman of the Board of Directors appointed pursuant to this Article IV, Section 4 shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-Laws or by the Board of Directors.

SECTION 5. Chief Executive Officer. The CEO shall be selected by the Board and shall, subject to the control of the Board of Directors, have general supervision of the business of the Corporation. The CEO shall see that all orders and resolutions of the Board of Directors are carried into effect. The CEO shall individually have the authority to execute all bonds, mortgages, contracts and other instruments of the Corporation, including those requiring a seal under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except that the other officers of the Corporation may sign and execute documents when so authorized by these By-Laws, the Board of Directors or a Committee thereof, or the CEO. In the absence or disability of the Chairman of the Board of Directors, the CEO shall preside at all meetings of the stockholders and the Board of Directors (if the CEO is a director of the Corporation). The CEO shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-Laws or by the Board of Directors.

SECTION 6. Presidents. Each President shall be selected by the Board and shall, subject to the control of the CEO, have general supervision of the business or a business division of the Corporation as directed by the Board of Directors or the CEO. At the request of the CEO or in his absence or in the event of his inability or refusal to act (and if there be no Chairman of the Board of Directors appointed pursuant to Article IV, Section 4), the President or the Presidents if there is more than one (in the order designated by the Board of Directors) shall perform the duties of the CEO, and when so acting, shall have all the powers of and be subject to all the restrictions upon the CEO. Each President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there be no Chairman of the Board of Directors appointed pursuant to Article IV, Section 4, no CEO and no President, the Board of

Directors shall designate the officer of the Corporation who, in the absence of the President or Presidents or in the event of the inability or refusal of the President or Presidents to act, shall perform the duties of the CEO, and when so acting, shall have all the powers or and be subject to all the restrictions upon the CEO.

SECTION 7. Vice Presidents. At the request of the CEO (or, in his absence or in the event of his inability or refusal to act (and if there be no Chairman of the Board of Directors appointed pursuant to Article IV, Section 4), any President (as designated by the Board of Directors)), the Senior Vice President or the Senior Vice Presidents if there is more than one (in the order designated by the Board of Directors), the Executive Vice President or the Executive Vice Presidents if there is more than one (in the order designated by the Board of Directors), the Vice President or the Vice Presidents if there is more than one (in the order designated by the Board of Directors) shall perform the duties of any President or Presidents, as designated by the CEO, and when so acting, shall have all the powers of and be subject to all the restrictions upon such President or Presidents, as applicable. Each Senior Vice President, Executive Vice President and Vice President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there be no Chairman of the Board of Directors appointed pursuant to Article IV, Section 4, no CEO, no President, no Senior Vice President, no Executive Vice President and no Vice President, the Board of Directors shall designate the officer of the Corporation who, in the absence of such President or Presidents, as applicable, or in the event of the inability or refusal of such President or Presidents, as applicable, to act, shall perform the duties of such President or Presidents, and when so acting, shall have all the powers of and be subject to all the restrictions upon such President or Presidents, as applicable.

SECTION 8. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or Chairman of the Board, under whose supervision he shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors or the Chairman of the Board may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

SECTION 9. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of

Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the CEO and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

SECTION 10. Assistant Secretaries. Except as may be otherwise provided in these By-Laws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the CEO, any President, any Senior Vice President, any Vice President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of his disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

SECTION 11. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the CEO, any President, any Senior Vice President, any Vice President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of his disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

SECTION 12. Controller. The Controller shall establish and maintain the accounting records of the Corporation in accordance with generally accepted accounting principles applied on a consistent basis, maintain proper internal control of the assets of the Corporation and shall perform such other duties as the Board of Directors, the CEO, any President, any Executive Vice President, any Senior Vice President or any Vice President of the Corporation may prescribe.

SECTION 13. Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

ARTICLE V.

STOCK

SECTION 1. Form of Certificates. The shares of the Corporation shall be represented by certificates, provided that the Board of Directors of the Corporation may provide by resolution

or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock represented by certificates shall be entitled to have a certificate signed by, or in the name of the Corporation by, the CEO, President, Executive Vice President, Senior Vice President or Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation representing the number of shares registered in certificate form.

SECTION 2. Signatures. Any or all of the signatures on the certificate may be a facsimile, including, but not limited to, signatures of officers of the Corporation and countersignatures of a transfer agent or registrar. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

SECTION 3. Lost Certificates. The Board of Directors may direct a new certificate or uncertificated shares to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or uncertificated shares, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

SECTION 4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these By-Laws. Shares of stock of the Corporation shall only be transferred on the books of the Corporation by the holder of record thereof or by such holder's attorney duly authorized in writing, upon surrender to the Corporation of the certificate or certificates representing such shares endorsed by the appropriate person or persons (or by delivery of duly executed instructions with respect to uncertificated shares), with such evidence of the authenticity of such endorsement or execution, transfer, authorization, and other matters as the Corporation may reasonably require, and accompanied by all necessary stock transfer stamps. Uncertificated shares shall be transferred in accordance with applicable law. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing the names of the persons from and to whom it was transferred.

SECTION 5. Record Date. In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall, unless otherwise required by law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If the Board so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board determines, at the time it fixes such

record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

SECTION 6. Beneficial Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

ARTICLE VI.

NOTICES

SECTION 1. Notices. (i) Whenever written notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director or member of a committee or stockholder, such notice may be given by mail, addressed to such director or member of a committee or stockholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by other means of electronic transmission.

(ii) Any notice to stockholders given by the Corporation pursuant to these By-Laws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation and shall also be deemed revoked if (a) the Corporation is unable to deliver by electronic transmission two (2) consecutive notices given by the Corporation in accordance with such consent and (b) such inability becomes known to the Secretary or Assistant Secretary of the Corporation, the transfer agent or other person responsible for the giving of notice; provided, however, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action. Notice given by a form of electronic transmission in accordance with these By-Laws shall be deemed given: (1) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice; (2) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (3) if by a posting on an electronic network, together with separate notice to the stockholder of such specific posting, upon the later of such posting and the giving of such separate notice; and (4) if by another form of electronic transmission, when directed to the stockholder. For purposes of these By-Laws, "electronic transmission" means any form of communication, not directly

involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

(iii) Any notice to stockholders given by the Corporation may be given by a single written notice to stockholders who share an address if consented to by the stockholders at such address to whom such notice is given. Any such consent shall be revocable by the stockholders by written notice to the Corporation. Any stockholder who fails to object in writing to the Corporation, within sixty (60) days of having been given written notice by the Corporation of its intention to send the single notice as set forth in this Article VI, Section 1 (iii) shall be deemed to have consented to receiving such single written notice.

SECTION 2. Waivers of Notice. Whenever any notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed, by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Attendance of a person at a meeting, present in person or represented by proxy, shall constitute a waiver of notice of such meeting, except where the person attends the meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business nor the purpose of any meeting need be specified in such a waiver.

ARTICLE VII.

ADVANCEMENT OF EXPENSES

SECTION 1. Prepayment of Expenses. In addition to the provisions of the Certificate of Incorporation, the Corporation shall, to the fullest extent not prohibited by applicable law pay the expenses (including attorneys' fees) incurred by any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding"), by reason of the fact that he, or a person for whom he is the legal representative, is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans (a "Covered Person"), in defending any proceeding in advance of its final disposition, provided, however, that, to the extent required by law, such payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by the Covered Person to repay all amounts advanced if it should be ultimately determined that the Covered Person is not entitled to indemnification under applicable law, the Certificate of Incorporation, any agreement or otherwise.

SECTION 2. Nonexclusivity of Rights. The rights conferred on any Covered Person by this Article VII shall not be exclusive of any other rights which such Covered Person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, these By-Laws, agreement, vote of stockholders or disinterested directors or otherwise.

SECTION 3. **Other Sources.** The Corporation's obligation, if any, to advance expenses to any Covered Person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such Covered Person may collect as advancement of expenses from such other corporation, partnership, joint venture, trust, enterprise or non-profit enterprise.

SECTION 4. **Amendment or Repeal.** The rights afforded to Covered Persons under this Article VII shall be contract rights, shall vest when such person becomes a Covered Person and shall continue as vested contract rights. Any repeal or modification of the foregoing provisions of this Article VII shall not adversely affect any right or protection hereunder of any Covered Person in respect of any act or omission occurring prior to the time of such repeal or modification.

SECTION 5. **Other Indemnification and Prepayment of Expenses.** This Article VII shall not limit the right of the Corporation, to the extent and in the manner permitted by law, to indemnify and to advance expenses to persons other than Covered Persons when and as authorized by appropriate corporate action.

SECTION 6. **Applicable Law.** Any action or proceeding arising out of or in connection with the rights conferred by either the Certificate of Incorporation or this Article VII shall be brought only in the Chancery Court of the State of Delaware, and not in any other state or federal court in the United States of America or any court in any other country.

ARTICLE VIII.

GENERAL PROVISIONS

SECTION 1. **Dividends.** Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, and may be paid in cash, in property, or in shares of the capital stock, provided that no dividend shall be declared and paid except to the extent the Corporation shall have lawfully available funds therefor. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

SECTION 2. **Disbursements.** All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

SECTION 3. **Fiscal Year.** The fiscal year of the Corporation shall end on December 31 and the following fiscal year shall commence on January 1, unless the fiscal year is otherwise fixed by affirmative resolution of the entire Board of Directors.

SECTION 4. **Corporate Seal.** The corporate seal shall have inscribed thereon the name of the Corporation and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

SECTION 5. **Amendments.** In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized to make, adopt, alter, amend, change or repeal these By-Laws by resolution adopted by the affirmative vote of at least two-thirds (2/3) of the members of the entire Board of Directors. In addition to any requirements of law and any other provision of these By-Laws or the Certificate of Incorporation, and notwithstanding any other provision of these By-Laws, the Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, stockholders may not make, adopt, alter, amend, change or repeal these By-Laws except upon the affirmative vote of at least two-thirds (2/3) of the voting power of the Corporation, voting together as a single class.

ARTICLE IX.

RIGHTS PLANS

SECTION 1. Except as provided in Section 2 of this Article IX, so long as the Icahn Group, together with the Icahn Affiliates, beneficially owns an aggregate Net Long Position of at least 3.0% of the total outstanding common stock, par value \$0.01 per share, of the Corporation (“Common Shares”) (as adjusted for any stock dividends, combinations, splits, recapitalizations or similar type events), any Rights Plan adopted by the Board of Directors shall have a triggering “Acquiring Person” beneficial ownership threshold of 20% or higher; provided, that, if at the time the Rights Plan is adopted by the Board of Directors a person or “group” as defined under Section 13(d) of the Exchange Act (as defined below) (such person or group, a “Specified Person”) has a binding written agreement in place with the Corporation specifying that such Specified Person is restricted from acquiring Common Shares that, together with all other Common Shares beneficially owned by such Specified Person at such time, represent an aggregate beneficial ownership percentage of more than 20.0% of the then- outstanding Common Shares (each such aggregate beneficial ownership percentage, a “Specified Threshold”), then the beneficial ownership threshold applicable to such Specified Person shall equal, but not exceed, such Specified Person’s Specified Threshold. If the Board of Directors adopts a Rights Plan, such Rights Plan will be put to a vote of stockholders within 135 days of the date of adoption of such Rights Plan (the “135th Day Deadline”). If the Corporation fails to hold a stockholder vote on or prior to the 135th Day Deadline, then the Rights Plan shall automatically terminate on the 135th Day Deadline. If a stockholder vote is held on the Rights Plan and it is not approved by the holders of a majority of shares voted, then the Rights Plan shall expire on a date not later than the 135th Day Deadline. The term “beneficial ownership” as used in the Rights Plan shall mean beneficial ownership as such term is defined in Rule 13d- 3 promulgated by the Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934, as amended and in effect from time to time (the “Exchange Act”). The term “Rights Plan” shall mean any plan or arrangement of the sort commonly referred to as a “rights plan” or “stockholder rights plan” or “shareholder rights plan” or “poison pill” that is designed to increase the cost to a potential acquirer of exceeding the applicable ownership thresholds through the issuance of new rights, common stock or preferred stock (or any other security or device that may be issued to stockholders of the Corporation other than ratably to all stockholders of the Corporation) that carry severe redemption provisions, favorable purchase provisions or otherwise, and any related rights agreement that effectuates the Rights Plan.

SECTION 2. The Board of Directors may, with the approval of the Icahn Designees (so long as there are Icahn Designees serving on the Board of Directors), adopt a Rights Plan to protect the Corporation's NOL; provided that (i) at the time of the Board of Directors' determination, there are aggregate "owner shifts" (as defined in Section 382 of the Internal Revenue Code) of at least thirty (30) percentage points; (ii) an "ownership change" of the Corporation (as defined in Section 382) would significantly reduce the present value of the NOLs; (iii) the duration of the Rights Plan will be no longer than three years; (iv) the Rights Plan will not apply to the Icahn Group's or any other shareholders' then-existing beneficial ownership in the Common Shares, but, for the avoidance of doubt, will apply to the acquisition by the Icahn Group or any such other shareholder of beneficial ownership of any additional Common Shares; and (v) the Board of Directors is not adopting such Rights Plan with the intent to circumvent its obligations under Section 1(e) of the Director Appointment and Nomination Agreement referred to in the next sentence or the Corporation's By-Laws or Charter. For purposes hereof, "Icahn Group", "Icahn Affiliates", "Icahn Designees" and "Net Long Position" shall have the meanings set forth in that certain Director Appointment and Nomination Agreement, dated as of March 1, 2019, among the Corporation, Mr. Carl Icahn and the other parties thereto, which was filed with the SEC on March 1, 2019.

AMENDMENT NO. 2 TO EMPLOYMENT AGREEMENT

This Amendment No. 2 to Employment Agreement (this "Amendment No. 2") is entered into as of April 29, 2019 (the "Amendment Effective Date"), by and between Caesars Enterprise Services, LLC, with offices at 1 Caesars Palace Drive, Las Vegas, Nevada (together with its successors and assigns, the "Company") and Eric Hession ("Executive").

RECITALS

A. The Company and Executive entered into that certain Employment Agreement, dated and effective as of November 10, 2014 (the "Original Agreement"), as amended by that certain Amendment No. 1 to Employment Agreement, dated and effective March 8, 2017 ("Amendment No. 1", together with the Original Agreement as amended by this Amendment No. 2, the or this "Agreement" (as the context requires)).

B. The Company and Executive now desire to amend the Agreement pursuant to and in accordance with the terms and conditions of this Amendment No. 2.

C. Any capitalized terms used in this Amendment No. 2 without definition have the meanings assigned to such terms in the Agreement.

NOW, FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, the parties agree that the foregoing recitals are true and correct, and are incorporated into this Amendment, and further agree as follows:

1. **Amendments to Section 9 - Compensation Upon Termination.** The parties intend for Executive to be entitled to receive the compensation set forth in Section 9(c) of the Original Agreement if the Term of Employment expires due to the Company's issuance of a Notice of Non-Renewal, pursuant and subject to the terms, conditions and qualifications set forth in the Original Agreement. Further, the parties desire to eliminate certain mitigation obligations of Executive set forth in Section 9(d) of the Original Agreement.

(a) Specifically, the opening paragraph of Section 9(a) of the Original Agreement is deleted and replaced with the following:

“(a) Termination for Cause or Without Good Reason. If Executive's employment is terminated by the Company for Cause or by Executive without Good Reason.”

(b) Specifically, Section 9(c) of the Original Agreement is deleted and replaced with the following:

“(c) Termination Without Cause, For Good Reason, Upon Expiration of the Term of Employment Due to Company's Issuance of a Notice of Non-Renewal, or for Disability. In the event that Executive's employment under this Agreement is terminated by the

Company without Cause under Section 7(d) of this Agreement, by Executive with Good Reason under Section 7(e) of this Agreement, upon expiration of the Term of Employment due to Company's issuance of a Notice of Non-Renewal pursuant to Section 7(f) of this Agreement, or by the Company for Disability under Section 7(b) of this Agreement during the Term of Employment, the Company shall pay or provide to Executive the Accrued Obligations and, subject to Executive's signing a separation agreement and release substantially similar to the version attached hereto as Exhibit B (subject to changes that may be necessary at the Date of Termination) (the "Release") within twenty-one (21) days or forty-five (45) days, whichever period is applicable under the ADEA (as defined in Exhibit B) following the Date of Termination, and not revoking the Release within seven (7) days of signing it, the Company shall pay to Executive a severance amount equal to Executive's monthly rate of Base Salary (i.e., 1/12 of Executive's annual rate of Base Salary) for each of eighteen (18) months (the "Severance Period") beginning the day after the Date of Termination with payments commencing after execution of the Release by Executive, but in no case sooner than expiration of the 7-day waiting period set forth in Section 10 of Exhibit B, in accordance with the Company's regular payroll practices; provided, that, the Company may cease making the payments under this Section 9(c) (in addition to asserting any other rights it may have in law of equity) (i) if Executive is in breach of any of Executive's obligations under Section 10 of this Agreement and Executive has failed to cure such breach, if curable, within ten (10) days following the Company's notice to Executive of such breach; or (ii) if Executive is in breach of any of the terms of the Release. If applicable and to the extent permitted under each plan, Executive will be entitled to receive the benefits set forth on Exhibit C hereto during the Severance Period."

(c) Specifically, Section 9(d) of the Original Agreement is deleted and replaced with the following

"(d) Offset. To the extent permissible under Section 409A of the Internal Revenue Code of 1986, as amended, in the event of any termination of Executive's employment under this Agreement, the Company is specifically authorized to offset against amounts due to Executive under this Agreement or otherwise on account of any claim that any of the Company or any of its Subsidiaries or Affiliates may have against Executive."

2. **No Other Amendments**. All other terms, conditions and qualifications in the Agreement not specifically amended hereby remain in full force and effect.

3. **Miscellaneous**. Section 16 of the Original Agreement setting forth the various "Miscellaneous" provisions govern this Amendment No. 2 and is incorporated herein by this reference as if fully set forth. Notwithstanding the generality of the foregoing, the Original Agreement (including its exhibits), Amendment No. 1 and this Amendment No. 2 contain the entire agreement and understanding between the parties concerning the subject matter hereof, and supersede all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between them with respect thereto.

[Signatures appear on the following page.]

IN WITNESS WHEREOF, the undersigned have executed this Amendment No. 2 as of the Amendment Effective Date.

Caesars Enterprise Services, LLC

By: /s/ Monica Digilio

Name: Monica Digilio

Title: EVP & Chief Human Resources Officer

Executive

/s/ Eric Hession

Eric Hession

I, Eric Hession, 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.

Dated: May 1, 2019

/S/ ERIC HESSION

Eric Hession

**Executive Vice President and Chief Financial Officer
(performing the functions of the principal executive officer)**

Certification of Principal Executive and 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 March 31, 2019 (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: May 1, 2019

/S/ ERIC HESSION

Eric Hession

**Executive Vice President and Chief Financial Officer
(performing the functions of the principal executive 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.