CAESARS ENTERTAINMENT Corp
Form 10-Q
November 08, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 2012

or

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

For the transition period from to

Commission File No. 1-10410

CAESARS ENTERTAINMENT CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**I.R.S. No. 62-1411755**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
One Caesars Palace Drive, Las Vegas, Nevada	**89109**
(Address of principal executive offices)	**(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 x No ¨

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

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

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

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

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

Class	**Outstanding at November 1, 2012**
Common stock, $0.01 par value	125,312,197

Table of Contents

CAESARS ENTERTAINMENT CORPORATION

INDEX

		Page
	PART I. FINANCIAL INFORMATION	
Item 1.	Unaudited Financial Statements	
	Consolidated Condensed Balance Sheets	3
	Consolidated Condensed Statements of Comprehensive Loss	4
	Consolidated Condensed Statements of Stockholders Equity	5
	Consolidated Condensed Statements of Cash Flows	6
	Notes to Consolidated Condensed Financial Statements	7
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	34
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	45
Item 4.	Controls and Procedures	45
	PART II. OTHER INFORMATION	
Item 1.	Legal Proceedings	46
Item 1A.	Risk Factors	46
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	46
Item 3.	Defaults Upon Senior Securities	46
Item 4.	Mine Safety Disclosures	46
Item 5.	Other Information	46
Item 6.	Exhibits	47
SIGNATURE		66

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

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CAESARS ENTERTAINMENT CORPORATION

CONSOLIDATED CONDENSED BALANCE SHEETS

(UNAUDITED)

(In millions, except par value)

	September 30, 2012	December 31, 2011
Assets		
Current assets		
Cash and cash equivalents	$ 1,189.4	$ 894.6
Restricted cash	799.4	66.6
Receivables, less allowance for doubtful accounts of $217.2 and $202.3	495.8	488.3
Deferred income taxes	170.5	170.5
Prepayments and other current assets	165.5	161.0
Inventories	49.5	44.6
Assets held for sale	9.7	11.6
Total current assets	2,879.8	1,837.2
Property and equipment, net	16,588.6	17,069.9
Goodwill	3,100.8	3,360.4
Intangible assets other than goodwill	4,042.7	4,363.2
Investments in and advances to non-consolidated affiliates	109.8	94.2
Restricted cash	269.3	451.1
Deferred charges and other	759.6	746.2
Assets held for sale	592.3	593.4
	$ 28,342.9	$ 28,515.6
Liabilities and Stockholders Equity		
Current liabilities		
Accounts payable	$ 330.3	$ 290.1
Interest payable	348.7	191.4
Accrued expenses	1,140.8	1,070.8
Current portion of long-term debt	797.3	40.4
Liabilities held for sale	8.2	10.1
Total current liabilities	2,625.3	1,602.8
Long-term debt	19,961.2	19,759.5
Deferred credits and other	892.1	901.8
Deferred income taxes	4,749.6	5,198.1
	28,228.2	27,462.2
Commitments and contingencies		
Stockholders equity		
Common stock; voting; $0.01 par value; 127.4 and 125.4 shares issued, respectively	1.3	0.7

Treasury stock; 2.1 and 0.3 shares, respectively		(16.3)		
Additional paid-in capital		6,945.9		6,885.1
Accumulated deficit		(6,810.5)		(5,782.7)
Accumulated other comprehensive loss		(87.0)		(96.4)
Total Caesars stockholders equity		33.4		1,006.7
Non-controlling interests		81.3		46.7
Total equity		114.7		1,053.4
	$	28,342.9	$	28,515.6

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents

CAESARS ENTERTAINMENT CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE LOSS

(UNAUDITED)

(In millions, except per share data)

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

Net loss attributable to Caesars		(505.5)		(164.0)		(1,027.8)		(467.0)
Other comprehensive loss:								
Total other comprehensive (loss)/income, net of income taxes		(1.5)		(30.6)		10.7		(27.0)
Less: foreign currency translation adjustments attributable to non-controlling interests		0.2		(0.2)		(1.3)		(3.6)
Comprehensive loss attributable to Caesars	$	(506.8)	$	(194.8)	$	(1,018.4)	$	(497.6)
(Loss) per share - basic and diluted								
Loss per share from continuing operations	$	(4.05)	$	(1.40)	$	(8.44)	$	(4.01)
Earnings per share from discontinued operations		0.02		0.09		0.23		0.28
Net loss per share	$	(4.03)	$	(1.31)	$	(8.21)	$	(3.73)
Weighted-average common shares outstanding - basic and diluted		125.3		125.0		125.3		125.1

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents

CAESARS ENTERTAINMENT CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS EQUITY

(UNAUDITED)

(In millions)

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

* Amount rounds to zero.

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents

CAESARS ENTERTAINMENT CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(In millions)

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

Purchase of additional interests in subsidiary		(9.6)		
Proceeds from sale of additional interest in a subsidiary		32.2		
Issuance of common stock, net of fees		17.4		
Other		(9.2)		(1.8)
Cash flows provided by financing activities		850.0		684.2
Cash flows from discontinued operations				
Cash flows from operating activities		30.2		46.7
Cash flows from investing activities		(2.3)		(3.3)
Cash flows from financing activities				
Net cash provided by discontinued operations		27.9		43.4
Net increase in cash and cash equivalents		293.2		163.7
Change in cash classified as assets held for sale		1.6		2.0
Cash and cash equivalents, beginning of period		894.6		973.5
Cash and cash equivalents, end of period	$	1,189.4	$	1,139.2

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents

CAESARS ENTERTAINMENT CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(UNAUDITED)

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

Note 1 Organization and Basis of Presentation

Organization

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

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

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

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements of the Company have been prepared under the rules and regulations of the Securities and Exchange Commission (SEC) applicable for interim periods and, therefore, do not include all information and footnotes necessary for complete financial statements in conformity with accounting principles generally accepted in the United States (GAAP). The results for the interim periods reflect all adjustments (consisting primarily of normal recurring adjustments) that management considers necessary for a fair presentation of financial position, results of operations, and cash flows.

The results of operations for our interim periods are not necessarily indicative of the results of operations that may be achieved for the entire 2012 fiscal year. The financial information as of December 31, 2011 is derived from our audited consolidated financial statements and footnotes for the year ended December 31, 2011 included in our 2011 Annual Report on Form 10-K (the 2011 10-K) and has been revised to reflect the assets and liabilities of Harrah s Maryland Heights, LLC, owner of the Harrah s St. Louis casino, as held for sale. The financial information for the quarter and nine months ended September 30, 2011 has been revised to reflect the results of Harrah s Maryland Heights, LLC as discontinued operations. See Note 2, Acquisitions, Investments and Dispositions for further discussion. We have revised certain other amounts for prior periods to conform to our 2012 presentation. The information included in this Quarterly Report on Form 10-Q (the 10-Q) should be read in conjunction with the footnotes and management s discussion and analysis of the consolidated financial statements in the 2011 10-K.

Note 2 Acquisitions, Investments and Dispositions

Acquisitions and Investments

Chester Downs

In January 2012, we received notice that the minority owners of Chester Downs and Marina, LLC (Chester Downs) elected to exercise their put rights thereby requiring us to purchase from the minority owners 90% of their interest in Chester Downs for consideration of $9.6 million. We

consummated this purchase on February 14, 2012. As a result, we now have a 99.5% ownership interest in this property.

Table of Contents

Windsor Casino Limited

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

Dispositions

Harrah s St. Louis

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

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

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

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

	Quarter Ended September 30,		**Nine Months Ended September 30,**	
(In millions)	**2012**	**2011**	**2012**	**2011**
Net revenues	$ 60.8	$ 64.3	$ 189.3	$ 194.6
Pre-tax income from discontinued operations	$ 4.6	$ 18.4	$ 46.5	$ 57.9

Discontinued operations, net of income taxes	$ 2.8	$ 11.2	$ 28.5	$ 35.2

Sale and Contribution of Thistledown Racetrack

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

Table of Contents

Note 3 Property and Equipment, net

Property and equipment, net consists of the following:

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

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

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

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

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

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

Note 4 Goodwill and Other Intangible Assets

The following table sets forth changes in our goodwill and other intangible assets for the nine months ended September 30, 2012.

	Amortizing	Non-Amortizing Intangible Assets	
(In millions)	Intangible Assets	Goodwill	Other
Balance at December 31, 2011	$ 1,163.7	$ 3,360.4	$ 3,199.5
Impairments		(247.0)	(192.0)
Additions		7.5	
Amortization expense	(129.6)		
Contribution of Thistledown to joint venture		(20.1)	
Foreign currency translation	0.3		0.8

Balance at September 30, 2012	$ 1,034.4	$ 3,100.8	$ 3,008.3

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

Table of Contents

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

We are not able to finalize our annual impairment assessment until such time as we finalize the Company s 2013 operating plan and certain other assumptions, which we expect to complete during fourth quarter 2012. Changes to the preliminary 2013 operating plan or other assumptions could require us to update our annual impairment assessment, which could result in either a reduction to the charge recorded during the quarter ended September 30, 2012 or in an additional impairment charge.

For our preliminary assessment, we determined the estimated fair value of each reporting unit as a function, or multiple, of earnings before interest, taxes, depreciation and amortization (EBITDA), combined with estimated future cash flows discounted at rates commensurate with the Company s capital structure and cost of capital, giving appropriate consideration to the prevailing borrowing rates within the casino industry in general. We also evaluated the aggregate fair value of all of our reporting units and other non-operating assets in comparison to our actual market capitalization at September 30, 2012 in connection with the determination of an appropriate discount rate. Both EBITDA multiples and discounted cash flows are common measures used to value and buy or sell cash-intensive businesses such as casinos. We determine the estimated fair values of our non-amortizing intangible assets by primarily using the Relief From Royalty Method and Excess Earnings Method under the income approach.

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

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

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

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

	3,008.3	3,199.5
Total intangible assets other than goodwill	$ 4,042.7	$ 4,363.2

Table of Contents

Note 5 Debt

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

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

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

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

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

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

Table of Contents

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

Credit Agreement

In connection with the Acquisition, CEOC entered into the senior secured credit facilities (the Credit Facilities). This financing is neither secured nor guaranteed by Caesars Entertainment s other direct, wholly-owned subsidiaries, including the subsidiaries that own properties that are security for the CMBS Financing, as defined in our 2011 10-K.

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

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

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

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

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

CMBS Financing

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

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

Other Financing Transactions

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

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

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

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

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

Restrictive Covenants and Other Matters

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

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

Table of Contents

Note 6 Derivative Instruments

Derivative Instruments Interest Rate Swap Agreements

We use interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. As of September 30, 2012, we have entered into eight interest rate swap agreements for notional amounts totaling $5,750.0 million. The difference to be paid or received under the terms of the interest rate swap agreements is accrued as interest rates change and recognized as an adjustment to interest expense for the related debt. Changes in the variable interest rates to be paid or received pursuant to the terms of the interest rate swap agreements will have a corresponding effect on future cash flows.

The major terms of the interest rate swap agreements as of September 30, 2012 are as follows:

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

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

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

Derivative Instruments Interest Rate Cap Agreements

We have an interest rate cap agreement to partially hedge the risk of future increases in the variable rate of the CMBS Financing. The CMBS interest rate cap agreement, which was effective in January 2008 and terminates February 13, 2013, is for a notional amount of $6,500.0 million at a LIBOR cap rate of 4.5%. We are amortizing deferred losses from the interest rate cap frozen in accumulated other comprehensive loss (AOCL) into income over the original remaining term of the hedged forecasted transactions that are still probable of occurring. For the quarter and nine months ended September 30, 2012, we recorded $5.2 million and $15.6 million, respectively, as an increase to interest expense, and we will record an additional $8.7 million as an increase to interest expense and AOCL through the termination date, all related to deferred losses on the interest rate cap. At September 30, 2012, $4,650.2 million of the interest rate cap was designated a cash flow hedging instrument for accounting purposes. Any future changes in fair value of the portion of the interest rate cap not designated as a hedging instrument will be recognized in interest expense during the period in which the changes in value occur.

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

Derivative Instruments Other

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

Table of Contents

Derivative Instruments Impact on Consolidated Condensed Financial Statements

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

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

* Amount rounds to zero

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

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

(In millions)		**Amount of (Gain) or Loss Recognized in Net Loss**	
Derivatives not designated as hedging instruments	**Location of (Gain) or Loss Recognized in Net Loss**	**Quarter Ended Sept. 30, 2012**	**Quarter Ended Sept. 30, 2011**

Interest rate contracts	Interest expense	$ (6.2)	$ 6.3

Table of Contents

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

(In millions)	Amount of (Gain) or Loss Recognized in AOCL (Effective Portion)		Location of (Gain) or Loss Reclassified From AOCL Into Net Loss (Effective Portion)	Amount of (Gain) or Loss Reclassified from AOCL into Net Loss (Effective Portion)		Location of (Gain) or Loss Recognized in Net Loss (Ineffective Portion)	Amount of (Gain) or Loss Recognized in Net Loss (Ineffective Portion)	
Derivatives designated as hedging instruments	Nine Months Ended Sept. 30, 2012	Nine Months Ended Sept. 30, 2011		Nine Months Ended Sept. 30, 2012	Nine Months Ended Sept. 30, 2011		Nine Months Ended Sept. 30, 2012	Nine Months Ended Sept. 30, 2011
Interest rate contracts	$	$ 74.4	Interest expense	$ 21.2	$ 59.8	Interest expense	$	$ (74.3)

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

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

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

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

Common Stock

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

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

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

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

Table of Contents

Non-controlling Interests

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

Loss Per Share

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

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

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

Note 8 Stock-Based Compensation

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

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

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

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

no more than 6,867,018 shares may be issued with respect to incentive stock options under the 2012 Incentive Plan;

the maximum number of shares of common stock subject to those options and stock appreciation rights that are granted during any calendar year to any individual under the 2012 Incentive Plan is 3,433,509 shares, prior to consideration of the July 2012 amendment as further described below;

the maximum number of shares of common stock which may be delivered pursuant to performance-based awards (other than options and stock appreciation rights intended to satisfy the requirements for performance-based compensation under Internal Revenue Code Section 162(m), and other than cash awards covered by the cap in the following sentence) that are granted to any one participant in any calendar year will not exceed 1,373,404 shares, either individually or in the aggregate;

in addition, the aggregate amount of compensation to be paid to any one participant in respect of all performance-based awards payable only in cash and not related to shares of common stock and granted to that participant in any one calendar year will not exceed $25.0 million; and

awards cancelled during the year will be counted against the limits in the preceding two bullets to the extent required by Section 162 (m) of the Internal Revenue Code.

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

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

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

Vesting of Time-Based Options. Each Replacement Option granted in exchange for a time-based eligible option will have a new vesting schedule as follows: 20% of the Replacement Options will be immediately vested, with the remainder vesting in four equal installments of 20% each on each of the first four anniversaries of the exchange date.

Vesting of Performance-Based Options. Each Replacement Option granted in exchange for a performance-based eligible option will have a new vesting schedule as follows:

With respect to the Eligible Options subject to vesting if funds affiliated with TPG Capital, L.P. (the TPG Members) and Apollo Global Management, LLC (the Apollo Members and together with the TPG Members, the Sponsors) achieve a return on their investment that is equal to or greater than 1.5x, the Replacement Options granted in exchange for such options will vest on the date that the Company s 30-day trailing average closing common stock price equals or exceeds $35.00 per share.

With respect to the Eligible Options subject to vesting if funds affiliated with the Sponsors achieve a return on their investment that is equal to or greater than 2.0x, the Replacement Options granted in exchange for such options will vest on the date that the Company s 30-day trailing average closing common stock price equals or exceeds $57.41 per share.

Vesting of Loveman Performance-Based Option. With respect to the Eligible Option to purchase 290,334 shares of the Company s common stock granted on November 29, 2011 to Gary Loveman, the Company s Chairman of the Board, Chief Executive Officer and President, the vesting of which differs from the vesting of the other outstanding performance-based eligible options described above and is eligible to vest if funds affiliated with the Sponsors achieve a return on their investment that is equal to or greater than 1.0x (the Loveman Performance-Based Option), the Replacement Option granted in exchange for the Loveman Performance-Based Option will vest on the date that the Company s 30-day trailing average closing common stock price equals or exceeds $57.41 per share.

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

18

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

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

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

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

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

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

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

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

Efficiency projects represent costs incurred to identify and implement efficiency programs aimed at streamlining corporate and operating functions to achieve cost savings and efficiencies, such as Project Renewal, an initiative designed to reinvent certain aspects of the Company s functional and operating units to gain significant further cost reductions and streamline its operations.

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

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

Table of Contents

Note 10 Income Taxes

Total income taxes were allocated as follows:

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

We classify reserves for tax uncertainties within accrued expenses and deferred credits and other in our consolidated condensed balance sheets, separate from any related income tax payable or deferred income taxes. Reserve amounts relate to any potential income tax liabilities resulting from uncertain tax positions as well as potential interest or penalties associated with those liabilities.

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

We file income tax returns, including returns for our subsidiaries, with federal, state, and foreign jurisdictions. We are under regular and recurring audit by the Internal Revenue Service (IRS) on open tax positions, and it is possible that the amount of the liability for unrecognized tax benefits could change during the next twelve months. The IRS audit of our 2008 federal income tax year concluded during the quarter ended June 30, 2010. The IRS proposed an adjustment to our cancellation of debt income tax position which was appealed. In the quarter ended June 30, 2012, the issue was settled resulting in a reduction of our net operating loss carryforwards of approximately $5 million. In connection with the settlement, the total amount of unrecognized tax benefits (UTB) decreased by $72.2 million. The decrease in UTB did not impact the Company s effective tax rate.

Note 11 Fair Value Measurements

Items Measured at Fair Value on a Recurring Basis

The following table shows the fair value of our financial assets and financial liabilities that are required to be measured at fair value as of September 30, 2012 and December 31, 2011:

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

* Amount rounds to zero

20

Table of Contents

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

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

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

(In millions)	September 30, 2012	December 31, 2011
Corporate bonds	$ 0.8	$ 1.5
Equity securities	2.9	2.4
Government bonds	112.1	102.5
Other liquid investments	2.0	2.0
Total investments	$ 117.8	$ 108.4

Gross unrealized gains and losses on marketable securities at September 30, 2012 and December 31, 2011 were not material.

Derivative instruments The estimated fair values of our derivative instruments are derived from market prices obtained from dealer quotes for similar, but not identical, assets or liabilities. Such quotes represent the estimated amounts we would receive or pay to terminate the contracts. Our derivatives are recorded at their fair values, adjusted for the credit rating of the counterparty if the derivative is an asset, or adjusted for the credit rating of the Company if the derivative is a liability. See Note 6, Derivative Instruments, for more information.

Items Measured at Fair Value on a Non-recurring Basis

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

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

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

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

Items Disclosed at Fair Value

Long-term debt The fair value of the Company s debt has been calculated based on the borrowing rates available as of September 30, 2012, for debt with similar terms and maturities, and based on market quotes of our publicly traded debt. As of September 30, 2012, the Company s outstanding debt had a fair value of $19,672.1 million and a carrying value of $20,758.5 million.

Table of Contents

Note 12 Litigation, Contractual Commitments and Contingent Liabilities

Litigation

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

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

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

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

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

Contractual Commitments and Contingent Liabilities

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

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

Table of Contents

Note 13 Supplemental Cash Flow Disclosures

Cash Paid for Interest and Taxes

The following table reconciles our interest expense, net of capitalized interest, per the consolidated condensed statements of comprehensive loss, to cash paid for interest:

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

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

Note 14 Related Party Transactions

In connection with the Acquisition, the Sponsors entered into a services agreement with Caesars Entertainment relating to the provision of financial and strategic advisory services and consulting services. In addition, we pay a monitoring fee for management services and advice. Fees paid to the Sponsors, which are included in corporate expense in our consolidated condensed statements of comprehensive loss, were $7.5 million in each of the quarters ended September 30, 2012 and 2011 and $22.5 million for each of the nine-month periods ended September 30, 2012 and 2011. We also reimburse the Sponsors for expenses that they incur related to their management services.

Note 15 Recent Accounting Pronouncements

Effective January 1, 2012, we adopted the updated guidance related to fair value measurement and disclosure requirements. The changes result in common fair value measurement and disclosure requirements between GAAP and International Financial Reporting Standards and change the wording used to describe many of the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. This new guidance did not have any impact on our consolidated financial position, results of operations, or cash flows.

Effective January 1, 2012, we adopted the new guidance for the presentation of comprehensive income. The new guidance requires that all nonowner changes in stockholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. As this is a presentation and disclosure requirement, there was no impact on our consolidated financial position, results of operations, or cash flows upon adoption.

Effective January 1, 2012, we adopted the revised guidance for goodwill impairment testing. The new guidance allows an entity to perform a qualitative assessment on goodwill to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. In July 2012, the guidance was amended to include assessments for indefinite-lived intangible assets. The Company adopted the amended guidance in the second quarter of 2012 as permitted under the amendment.

23

Table of Contents

Note 16 Subsequent Events

Sale of Harrah s St Louis Casino

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

9% Notes

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

Extension Transactions Under the Credit Facility

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

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

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

Baltimore, Maryland

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

Table of Contents

Bill s Gamblin Hall and Saloon Conversion Financing

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

Note 17 Consolidating Financial Information of Guarantors and Issuers

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

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

Table of Contents

CAESARS ENTERTAINMENT CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

CONDENSED CONSOLIDATING BALANCE SHEET

SEPTEMBER 30, 2012

(In millions)

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

Non-controlling interests				81.3	81.3		81.3
Total equity/(deficit)	33.4	(2,360.2)	12,357.2	2,696.6	15,053.8	(12,612.3)	114.7
	$ 709.8	$ 14,812.8	$ 16,718.4	$ 13,257.1	$ 29,975.5	$ (17,155.2)	$ 28,342.9

Table of Contents

CAESARS ENTERTAINMENT CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

CONDENSED CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2011

(In millions)

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

Total equity/(deficit)	1,006.7	(1,079.2)	13,345.1	2,797.0	16,142.1	(15,016.2)	1,053.4
	$ 1,029.4	$ 15,545.2	$ 17,859.7	$ 12,709.0	$ 30,568.7	$ (18,627.7)	$ 28,515.6

CAESARS ENTERTAINMENT CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

(In millions)

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

Net (loss)/income attributable to Caesars	(505.5)	(544.9)	(235.6)	56.7	(178.9)	723.8	(505.5)
Other comprehensive income/(loss):							
Total other comprehensive income/(loss), net of income taxes		6.8		(8.3)	(8.3)		(1.5)
Less: foreign currency translation adjustments attributable to non-controlling interests				0.2	0.2		0.2
Comprehensive (loss)/income attributable to Caesars	$ (505.5)	$ (538.1)	$ (235.6)	$ 48.6	$ (187.0)	$ 723.8	$ (506.8)

Table of Contents

CAESARS ENTERTAINMENT CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

FOR THE QUARTER ENDED SEPTEMBER 30, 2011

(In millions)

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

Less: net income attributable to non-controlling interests				9.4	9.4		9.4
Net (loss)/income attributable to Caesars	(164.0)	(193.2)	111.4	19.0	130.4	62.8	(164.0)
Other comprehensive loss:							
Total other comprehensive loss, net of income taxes		(27.6)		(3.0)	(3.0)		(30.6)
Less: foreign currency translation adjustments attributable to non-controlling interests				(0.2)	(0.2)		(0.2)
Comprehensive (loss)/income attributable to Caesars	$ (164.0)	$ (220.8)	$ 111.4	$ 15.8	$ 127.2	$ 62.8	$ (194.8)

CAESARS ENTERTAINMENT CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

(In millions)

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

Less: net loss attributable to non-controlling interests							
Net (loss)/income attributable to Caesars	(1,027.8)	(1,180.3)	(137.1)	73.4	(63.7)	1,244.0	(1,027.8)
Other comprehensive (loss)/income:							
Total other comprehensive (loss)/income, net of income taxes		(19.0)		29.7	29.7		10.7
Less: foreign currency translation adjustments attributable to non-controlling interests				(1.3)	(1.3)		(1.3)
Comprehensive (loss)/income attributable to Caesars	$ (1,027.8)	$ (1,199.3)	$ (137.1)	$ 101.8	$ (35.3)	$ 1,244.0	$ (1,018.4)

30

Table of Contents

CAESARS ENTERTAINMENT CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

(In millions)

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

Net (loss)/income	(467.0)	(584.9)	351.1	121.0	472.1	108.5	(471.3)
Less: net income attributable to non-controlling interests				4.3	4.3		4.3
Net (loss)/income attributable to Caesars	(467.0)	(584.9)	351.1	125.3	476.4	108.5	(467.0)
Other comprehensive loss:							
Total other comprehensive loss, net of income taxes		(3.6)		(23.4)	(23.4)		(27.0)
Less: foreign currency translation adjustments attributable to non-controlling interests				(3.6)	(3.6)		(3.6)
Comprehensive (loss)/income attributable to Caesars	$ (467.0)	$ (588.5)	$ 351.1	$ 98.3	$ 449.4	$ 108.5	$ (497.6)

Table of Contents

CAESARS ENTERTAINMENT CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

(In millions)

	CEC (Parent Guarantor)	Subsidiary Issuer	Subsidiary Guarantors of Parent and Subsidiary Guaranteed Debt (a)	Subsidiary Non-Guarantors of Parent and Subsidiary Guaranteed Debt (b)	Subsidiary Non-Guarantors of Parent-Only Guaranteed Debt (a) + (b)	Consolidating/ Eliminating Adjustments	Total
Cash flows provided by/(used in) operating activities	$ 262.5	$ 53.8	$ (82.7)	$ 15.0	$ (67.7)	$ 9.7	$ 258.3
Cash flows from investing activities							
Acquisitions of property and equipment, net of change in construction payables		(0.7)	(104.6)	(198.7)	(303.3)		(304.0)
Change in restricted cash				(551.0)	(551.0)		(551.0)
Payments to acquire business, net of transactions costs and cash acquired				7.7	7.7		7.7
Return of investment in subsidiary			92.5		92.5	(92.5)	
Investments in/advances to non-consolidated affiliates and other				(22.8)	(22.8)		(22.8)
Purchase of additional interests in subsidiaries	(127.7)	(22.8)				150.5	
Cash received in conjunction with the sale of a subsidiary, net of cash contributed				42.4	42.4		42.4
Payments to acquire investments				(36.0)	(36.0)		(36.0)
Proceeds from the sale and maturity of investments				27.0	27.0		27.0
Other	(0.6)		(8.0)	2.3	(5.7)		(6.3)
Cash flows (used in)/provided by investing activities	(128.3)	(23.5)	(20.1)	(729.1)	(749.2)	58.0	(843.0)
Cash flows from financing activities							
Proceeds from issuance of long-term debt		110.9		2,358.5	2,358.5		2,469.4
Assumption of debt issued by non-guarantors		1,250.0		(1,250.0)	(1,250.0)		
Debt issuance costs and fees		(24.7)		(7.2)	(7.2)		(31.9)
Borrowings under lending agreements		453.0					453.0
Repayments under lending agreements		(608.0)					(608.0)
Cash paid for early extinguishments of debt		(1,095.6)		(355.0)	(355.0)		(1,450.6)
Scheduled debt retirements		(11.3)	(1.4)		(1.4)		(12.7)
Purchase of additional interests in subsidiary			(9.6)		(9.6)		(9.6)
Proceeds from sale of additional interest in a subsidiary				32.2	32.2		32.2

Issuance of common stock in public offering, net of fees	17.4						17.4
Other			(8.2)	(1.0)	(9.2)		(9.2)
Transfers (to)/from affiliates	(136.2)	308.8	0.1	(114.7)	(114.6)	(58.0)	
Cash flows (used in)/provided by financing activities	(118.8)	383.1	(19.1)	662.8	643.7	(58.0)	850.0
Cash flows from discontinued operations							
Cash flows from operating activities			39.9		39.9	(9.7)	30.2
Cash flows from investing activities			(2.3)		(2.3)		(2.3)
Net cash provided by discontinued operations			37.6		37.6	(9.7)	27.9
Net increase/(decrease) in cash and cash equivalents	15.4	413.4	(84.3)	(51.3)	(135.6)		293.2
Change in cash classified as assets held for sale			1.6		1.6		1.6
Cash and cash equivalents, beginning of period	3.9	16.6	372.5	501.6	874.1		894.6
Cash and cash equivalents, end of period	$ 19.3	$ 430.0	$ 289.8	$ 450.3	$ 740.1	$	$ 1,189.4

Table of Contents

CAESARS ENTERTAINMENT CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

(In millions)

	CEC (Parent Guarantor)	Subsidiary Issuer	Subsidiary Guarantors of Parent and Subsidiary Guaranteed Debt (a)	Subsidiary Non-Guarantors of Parent and Subsidiary Guaranteed Debt (b)	Subsidiary Non-Guarantors of Parent-Only Guaranteed Debt (a) + (b)	Consolidating/ Eliminating Adjustments	Total
Cash flows provided by/(used in) operating activities	$ 169.4	$ (62.6)	$ (43.9)	$ 205.3	$ 161.4	$	$ 268.2
Cash flows from investing activities							
Acquisitions of property and equipment, net of change in construction payables		(8.8)	(79.8)	(73.0)	(152.8)		(161.6)
Change in restricted cash				(544.0)	(544.0)		(544.0)
Payments to acquire certain gaming rights				(22.7)	(22.7)		(22.7)
Payments to acquire a business, net of transaction costs and cash acquired	(108.5)	(103.2)	(15.6)	(19.0)	(34.6)	227.3	(19.0)
Investment in/advances to non-consolidated affiliates and other				(76.0)	(76.0)		(76.0)
Payments to acquire investments				(23.8)	(23.8)		(23.8)
Proceeds from the sale and maturity of investments				14.0	14.0		14.0
Other			(3.8)	4.8	1.0		1.0
Cash flows (used in)/provided by investing activities	(108.5)	(112.0)	(99.2)	(739.7)	(838.9)	227.3	(832.1)
Cash flows from financing activities							
Proceeds from the issuance of long-term debt		418.3		445.5	445.5		863.8
Debt issuance costs and fees		(3.2)		(14.3)	(14.3)		(17.5)
Borrowings under lending agreements		135.0					135.0
Repayments under lending agreements		(135.0)					(135.0)
Cash paid for early extinguishments of debt			(1.2)	(124.7)	(125.9)		(125.9)
Scheduled debt retirements		(19.3)		(15.1)	(15.1)		(34.4)
Other	(1.6)		(5.0)	4.8	(0.2)		(1.8)
(Distributions to) and transfers from Affiliates	(82.0)	24.7	15.6	269.0	284.6	(227.3)	
Cash flows (used in)/provided by financing activities	(83.6)	420.5	9.4	565.2	574.6	(227.3)	684.2

Cash flows from discontinued operations

Cash flows from operating activities			46.7		46.7		46.7
Cash flows from investing activities			(3.3)		(3.3)		(3.3)
Net cash provided by discontinued operations			43.4		43.4		43.4
Net (decrease)/increase in cash and cash equivalents	(22.7)	245.9	(90.3)	30.8	(59.5)		163.7
Change in cash classified as assets held for sale			2.0		2.0		2.0
Cash and cash equivalents, beginning of period	136.0	61.0	344.7	431.8	776.5		973.5
Cash and cash equivalents, end of period	$ 113.3	$ 306.9	$ 256.4	$ 462.6	$ 719.0	$	$ 1,139.2

Table of Contents

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

The following discussion and analysis of the financial position and operating results of Caesars Entertainment for the quarters and nine months ended September 30, 2012 and 2011 should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations presented in the 2011 10-K.

RECENT EVENTS

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

REGIONAL AGGREGATION

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

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

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

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

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

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

(d) Managed.

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

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

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

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

Table of Contents

CONSOLIDATED OPERATING RESULTS

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

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

** Not meaningful

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

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

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

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

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

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

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

Net loss attributable to Caesars for the nine months ended September 30, 2012 was $1,027.8 million, up $560.8 million, or 120.1%, from the same period in 2011 and reflects the decreas