CAESARS ENTERTAINMENT Corp
Form 10-Q
August 09, 2013

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 June 30, 2013

or

o 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	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 o

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 o

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o 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 August 1, 2013
Common stock, $0.01 par value	126,294,496

CAESARS ENTERTAINMENT CORPORATION

INDEX

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

PART I—FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

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

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

Total deficit	(738.1)	(331.6)
	$26,844.8	$27,998.1

See accompanying Notes to Consolidated Condensed Financial Statements.

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

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

Loss per share - basic and diluted				
Loss per share from continuing operations	$(1.69)	$(1.29)	$(3.10)	$(3.58)
Loss per share from discontinued operations	—	(0.64)	(0.33)	(0.59)
Net loss per share	$(1.69)	$(1.93)	$(3.43)	$(4.17)
Weighted-average common shares outstanding - basic and diluted	125.5	125.3	125.4	125.2

See accompanying Notes to Consolidated Condensed Financial Statements.

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

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

See accompanying Notes to Consolidated Condensed Financial Statements.

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

	Caesars Stockholders							
	Common Stock	Treasury Stock	Additional Paid-in-Capital	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Total Caesars Stockholders' Equity/(Deficit)	Non-controlling Interests	Total Equity/(Deficit)
Balance at December 31, 2011	$0.7	$—	$6,885.1	$ (5,782.7)	$ (96.4)	$ 1,006.7	$ 46.7	$ 1,053.4
Net loss	—	—	—	(522.3)	—	(522.3)	(0.6)	(522.9)
Share-based compensation	—	—	17.7	—	—	17.7	—	17.7
Initial public offering	0.6	—	16.6	—	—	17.2	—	17.2
Common stock issuances	—	—	0.2	—	—	0.2	—	0.2
Increase in treasury shares	*	(16.3)	16.3	—	—	—	—	—
Contributions and contractual obligations from non-controlling interests, net of distributions	—	—	—	—	—	—	29.4	29.4
Other comprehensive income, net of tax	—	—	—	—	10.7	10.7	1.5	12.2
Balance at June 30, 2012	$1.3	$(16.3)	$6,935.9	$ (6,305.0)	$ (85.7)	$ 530.2	$ 77.0	$ 607.2
Balance at December 31, 2012	$1.3	$(16.3)	$6,954.4	$ (7,280.2)	$ (70.9)	$ (411.7)	$ 80.1	$ (331.6)
Net (loss)/income	—	—	—	(430.1)	—	(430.1)	3.9	(426.2)
Share-based compensation	—	—	11.6	—	—	11.6	—	11.6
Common stock issuances	*	—	12.6	—	—	12.6	—	12.6
Issuances of common stock under stock incentive plans	*	—	0.3	—	—	0.3	—	0.3
Increase in treasury shares	—	*	(0.1)	—	—	(0.1)	—	(0.1)
Contributions and contractual obligations from non-controlling interests	—	—	—	—	—	—	35.3	35.3
Decrease in non-controlling	—	—	—	—	—	—	(7.5)	(7.5)

interests including distributions and write-downs								
Other comprehensive loss, net of tax	—	—	—	—	(22.8)	(22.8)	(0.1)	(22.9)
Purchase of additional interest in subsidiary	—	—	(9.6)	—	—	(9.6)	—	(9.6)
Balance at June 30, 2013	$1.3	$(16.3)	$6,969.2	$ (7,710.3)	$ (93.7)	$ (849.8)	$ 111.7	$ (738.1)

* Amount rounds to zero.

See accompanying Notes to Consolidated Condensed Financial Statements.

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

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

Cash paid for loan maturity extension fees	(23.3)	—
Scheduled debt retirements	(7.1)	(9.0)
Purchase of additional interests in subsidiary	—	(9.6)
Contributions from non controlling interest owners	35.3	—
Proceeds from sale of additional interest in a subsidiary	—	32.2
Issuance of common stock, net of fees	12.6	17.4
Other	(13.0)	(11.1)
Cash flows (used in)/provided by financing activities	(463.6)	92.5
Cash flows from discontinued operations		
Cash flows from operating activities	0.4	27.8
Cash flows from investing activities	—	(2.5)
Cash flows from financing activities	—	—
Net cash provided by discontinued operations	0.4	25.3
Net increase in cash and cash equivalents	53.3	89.1
Change in cash classified as assets held for sale	(0.1)	0.9
Cash and cash equivalents, beginning of period	1,757.5	891.2
Cash and cash equivalents, end of period	$1,810.7	$981.2

See accompanying Notes to Consolidated Condensed Financial Statements.

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

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

Note 1 — Organization and Basis of Presentation

Organization

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

On January 28, 2008, Caesars Entertainment was acquired by affiliates of Apollo Global Management, LLC (together with such affiliates, “Apollo”) and affiliates of TPG Capital, LP (together with such affiliates, “TPG” and, together with Apollo, the “Sponsors”) in an all-cash transaction (the “Acquisition”). Our common stock trades on the NASDAQ Global Select Market (“NASDAQ”) under the symbol “CZR.”

Basis of Presentation

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

The results of operations for our interim periods are not necessarily indicative of the results of operations that may be achieved for the entire 2013 fiscal year.

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

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

Note 2 — Recently Issued Accounting Pronouncements

Effective January 1, 2013, we adopted guidance issued by the Financial Accounting Standards Board ("FASB") on the reporting of reclassifications out of accumulated other comprehensive income. The guidance requires an entity to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income if the amount is reclassified to net income in its entirety in the same reporting period. As this is a presentation and disclosure requirement, there was no impact on our consolidated financial position, results of operations or cash flows upon adoption.

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

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

Note 3 — Acquisitions, Investments, Dispositions and Divestitures

Acquisitions

Buffalo Studios, LLC and Bubbler Media

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

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

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

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

Dispositions

Conrad Punta Del Este Resort and Casino

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

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

Alea Leeds

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

Harrah's St. Louis

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

Macau Land Concession

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

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

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

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

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

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

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

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

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

	Quarter Ended June 30,		Six Months Ended June 30,	
(In millions)	2013	2012	2013	2012
Net revenues				
Harrah's St. Louis	$—	$64.9	$—	$128.5
Macau	0.8	0.7	1.8	1.6
Alea Leeds	—	1.2	0.7	2.7
Total net revenues	$0.8	$66.8	$2.5	$132.8
Pre-tax income/(loss) from operations				
Harrah's St. Louis	$—	$22.9	$(0.7)	$41.9
Macau	0.2	(105.9)	(20.5)	(109.6)
Alea Leeds	(0.5)	(1.4)	(23.0)	(2.5)
Total pre-tax loss from discontinued operations	$(0.3)	$(84.4)	$(44.2)	$(70.2)
Income/(loss), net of income taxes				
Harrah's St. Louis	$—	$14.1	$(0.4)	$25.7
Macau	0.2	(93.2)	(18.0)	(96.4)
Alea Leeds	(0.5)	(1.4)	(23.0)	(2.5)
Total loss from discontinued operations, net of income taxes	$(0.3)	$(80.5)	$(41.4)	$(73.2)

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

Note 4 — Proposed Strategic Transaction

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

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

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

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

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

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

Note 5 — Restricted Cash

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

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

Note 6 — Property and Equipment, net

Property and equipment, net consists of the following:

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

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

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

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

Tangible Asset Impairments

Continuing Operations

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

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

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

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

Discontinued Operations

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

Note 7 — Goodwill and Other Intangible Assets

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

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

During each of the first and second quarters of 2013, due to various factors, including changes in projected earnings, we performed interim impairment assessments of goodwill and other non-amortizing intangible assets and, as a result, we recorded impairment charges of $20.0 million and $3.0 million, respectively, related to certain gaming rights. During the second quarter of 2012, due to weak economic conditions in certain gaming markets, we performed an interim impairment assessment of non-amortizing intangible assets. This analysis resulted in an impairment charge of $33.0 million related to our trademark assets as a result of reduced revenues associated with these assets.
The following table sets forth changes in our goodwill and other intangible assets for the six months ended June 30, 2013:

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

During the second quarter of 2013, we recorded a $14.9 million reduction in goodwill in connection with the deconsolidation of Baluma S.A. upon the closing of the Conrad transaction described in Note 3, "Acquisitions, Investments, Dispositions and Divestitures."
The following table provides the gross carrying value and accumulated amortization for each major class of intangible assets other than goodwill:

	June 30, 2013				December 31, 2012		
(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	6.5	$ 1,456.9	$ (681.5)	$ 775.4	$ 1,456.7	$ (618.0)	$ 838.7
Contract rights	1.5	144.1	(72.3)	71.8	145.1	(66.3)	78.8
Patented technology	3.3	160.8	(88.1)	72.7	156.7	(76.6)	80.1
Gaming rights	11.0	42.8	(14.1)	28.7	42.8	(12.8)	30.0
Trademarks	—	—	—	—	1.7	(1.7)	—
		$ 1,804.6	$ (856.0)	948.6	$ 1,803.0	$ (775.4)	1,027.6
Non-amortizing intangible assets							
Trademarks				1,699.0			1,699.7
Gaming rights				1,234.1			1,258.4
				2,933.1			2,958.1
Total intangible assets other than goodwill				$ 3,881.7			$ 3,985.7

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

Note 8—Debt

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

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

(a) Guaranteed by Caesars Entertainment.

(b) Guaranteed by Caesars Entertainment and certain wholly-owned subsidiaries of CEOC

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

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

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

Current Portion of Long-Term Debt

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

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

CEOC Credit Facilities

In connection with the Acquisition, CEOC entered into the senior secured credit facilities (the "Credit Facilities"). This financing is neither secured nor guaranteed by Caesars' other direct, wholly-owned subsidiaries, including the subsidiaries that own properties that are security for the CMBS Financing, as defined in our 2012 10-K.

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

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

As of June 30, 2013, our Credit Facilities provide for senior secured financing of up to $4,633.4 million, consisting of (i) senior secured term loans in an aggregate principal amount of $4,417.9 million, comprised of $29.1 million maturing on January 28, 2015, $965.0 million maturing on October 31, 2016, and $3,423.8 million maturing on January 28, 2018, and (ii) a senior secured revolving credit facility in an aggregate principal amount of up to $215.5 million, with $109.4 million maturing January 28, 2014 and $106.1 million maturing on January 28, 2017, including both a letter of credit sub-facility and a swingline loan sub-facility. The term loans under the Credit Facilities currently require scheduled quarterly payments of $2.5 million, with the balance due at maturity. As of June 30, 2013, $119.9 million of the revolving credit facility is committed to outstanding letters of credit. After consideration of the letter of credit commitments, $95.6 million of additional borrowing capacity was available to the Company under its revolving credit facility as of June 30, 2013.

CEOC Notes

Issuances

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

In February 2013, CEOC completed the offering of $1,500.0 million aggregate principal amount of 9.0% senior secured notes due 2020. On March 27, 2013, when the proceeds were released from escrow, CEOC used $1,433.3

million of the proceeds to repay a portion of the existing term loans under the Credit Facilities at par.

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

Open Market Purchases

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

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

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

CMBS Financing and Open Market Purchases

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

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

Restrictive Covenants and Other Matters

Certain of our borrowings have covenants and requirements that include, among other things, the maintenance of specific levels of financial ratios. Failure to comply with these covenants can result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions, or cause an event of default. Specifically, the Credit Facilities require CEOC to maintain a senior secured leverage ratio of no more than 4.75 to 1.0, which is the ratio of senior first priority secured debt to last twelve months ("LTM") Adjusted EBITDA - Pro Forma - CEOC Restricted. After giving effect to the February 2013 bank amendment to the Credit Facilities discussed above, this ratio excludes $3,700.0 million of first priority senior secured notes and up to $350.0 million aggregate principal amount of consolidated debt of subsidiaries that are not wholly owned. For purposes of calculating the senior secured leverage ratio, the amount of senior first priority secured debt is reduced by the amount of unrestricted cash on hand. As of June 30, 2013, CEOC's senior secured leverage ratio was 4.33 to 1.0.

In addition, certain covenants contained in CEOC's senior secured credit facilities and indentures covering its first priority senior secured notes and second priority senior secured notes restrict our ability to take certain actions such as incurring additional debt or making acquisitions if we are unable to meet a fixed charge coverage ratio (LTM Adjusted EBITDA-Pro Forma - CEOC Restricted to fixed charges) of at least 2.0 to 1.0, a total first priority secured leverage ratio (first priority senior secured debt to LTM Adjusted EBITDA-Pro Forma - CEOC Restricted) of no more than 4.5 to 1.0, and/or a consolidated leverage ratio (consolidated total debt to LTM Adjusted EBITDA-Pro Forma - CEOC Restricted) of no more than 7.25 to 1.0. As of June 30, 2013, CEOC's total first priority secured leverage ratio and consolidated leverage ratio were 7.29 to 1.0 and 13.60 to 1.0, respectively. For the twelve months ended June 30, 2013, CEOC's LTM Adjusted EBITDA-Pro Forma - CEOC Restricted was insufficient to cover fixed charges by $600.0 million. For purposes of calculating the fixed charge coverage ratio, fixed charges includes consolidated interest expense less interest income and any cash dividends paid on preferred stock (other than amounts eliminated in consolidation). For purposes of calculating the total first priority secured leverage ratio and the consolidated leverage ratio, the amounts of first priority senior secured debt and consolidated total debt, respectively, are reduced by the amount of unrestricted cash on hand. The covenants that provide for the fixed charge coverage ratio, total first priority secured leverage ratio, and consolidated leverage ratio described in this paragraph are not maintenance covenants.

Note 9 — Derivative Instruments

Derivative Instruments – Interest Rate Swap Agreements

We use interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. As of June 30, 2013, we have entered into eight interest rate swap agreements for notional amounts totaling $5,750.0 million. The difference to be paid or received under the terms of the interest rate swap agreements is accrued as interest rates change and recognized as an adjustment to interest expense for the related debt. Changes in the variable interest rates to be paid or received pursuant to the terms of the interest rate swap agreements will have a corresponding effect on future cash flows.

The major terms of the interest rate swap agreements as of June 30, 2013 are as follows:

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

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

Derivative Instruments – Interest Rate Cap Agreements

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

Derivative Instruments – Other

During the second quarter of 2012, the Company entered into a written put option (the "Option") for certain preferred equity interests. The potential future aggregate cash payments of $13.9 million as of June 30, 2013 related to the Option may occur from time to time. Based on the structure of this security as a written put option, the obligation for these potential cash payments is not reflected in our Consolidated Condensed Balance Sheets. Additionally, the Option is recorded in our Consolidated Condensed Balance Sheets at its fair value, which was de minimis as of June 30, 2013.

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

Derivative Instruments – Impact on Consolidated Condensed Financial Statements

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

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

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

(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 June 30, 2013	Quarter Ended June 30, 2012		Quarter Ended June 30, 2013	Quarter Ended June 30, 2012		Quarter Ended June 30, 2013	Quarter Ended June 30, 2012
Interest rate contracts	$—	$—	Interest expense	$—	$7.2	Interest expense	$—	$—

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

19

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

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

(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	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012		Six Months Ended June 30, 2013	Six Months Ended June 30, 2012		Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Interest rate contracts	$—	$—	Interest expense	$3.9	$14.3	Interest expense	$—	$—

(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	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Interest rate contracts	Interest expense	$(66.5)	$17.1

The difference to be paid or received under the terms of the interest rate swap agreements is recognized as interest expense and is paid monthly. This cash settlement portion of the interest rate swap agreements increased interest expense for the quarters ended June 30, 2013 and 2012 by $42.8 million and $42.2 million, respectively, and increased interest expense for the six months ended June 30, 2013 and 2012 by $85.0 million and $84.0 million respectively.

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

Note 10 — Stockholders' Equity and Non-controlling Interests

Common Stock

In March 2012, the Company filed a prospectus with the SEC, as part of a registration statement, to sell shares of common stock, up to a maximum aggregate offering price of $500.0 million. In April 2012, the Company entered into an equity distribution agreement with Citigroup Global Markets Inc. and Credit Suisse Securities (USA) LLC whereby the Company may issue and sell up to 10.0 million shares of the Company's common stock from time to time. During the quarter and six months ended June 30, 2013, the Company issued 900,493 shares with aggregate offering proceeds of $12.6 million. During the quarter and six months ended June 30, 2012, the Company issued 15,000 shares for aggregate offering proceeds of $0.2 million.

Non-controlling Interests

CBAC Gaming, LLC, the Company-led consortium developing Horseshoe Casino Baltimore, received additional capital contributions from minority shareholders of $35.3 million in the quarter ended June 30, 2013. The investment increased the Company's non-controlling interest equity for partner contributions to the development of the project,

net of pre-opening losses of $2.1 million also allocated to non-controlling interest equity. The $400 million development will be located in the City of Baltimore.
Financing for the project was obtained and the development broke ground in July 2013. For additional information on the financing see Note 21, "Subsequent Events."

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

Note 11 — Reclassifications out of Accumulated Other Comprehensive Loss

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

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

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

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

Note 12 — Casino Promotional Allowances

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

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

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

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

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

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

Note 13 — Loss Per Share

Basic loss per share from continuing operations and discontinued operations is calculated by dividing loss from continuing operations and loss from discontinued operations, respectively, net of income taxes, by the weighted-average number of common shares outstanding for each period. Because the Company generated net losses for the quarters and six months ended June 30, 2013 and 2012, the weighted-average basic shares outstanding was used in calculating diluted loss per share from continuing operations, and diluted loss per share from discontinued operations, as using diluted shares would be anti-dilutive to loss per share.

The following table shows the number of shares which were excluded from the computation of diluted loss per share as they were anti-dilutive:

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

Note 14 — Write-downs, Reserves, and Project Opening Costs, net of Recoveries

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

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

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

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

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

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

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

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

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

Note 15 — Income Taxes

Total income taxes were allocated as follows:

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

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

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

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

We file income tax returns, including returns for our subsidiaries, with federal, state, and foreign jurisdictions. We are under regular and recurring audit by the Internal Revenue Service on open tax positions, and it is possible that the amount of the liability for unrecognized tax benefits could change during the next twelve months.

Note 16 — Fair Value Measurements

Items Measured at Fair Value on a Recurring Basis

The following table shows the fair value of our financial assets and financial liabilities that are required to be measured at fair value as of June 30, 2013 and December 31, 2012:

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

* Amount rounds to zero

23

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

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

Investments

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

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

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

Gross unrealized gains and losses on marketable securities at June 30, 2013 and December 31, 2012 were not material.

Derivative instruments

The estimated fair values of our derivative instruments are derived from market prices obtained from dealer quotes for similar, but not identical, assets or liabilities. Such quotes represent the estimated amounts we would receive or pay to terminate the contracts. Our derivatives are recorded at their fair values, adjusted for the credit rating of the counterparty if the derivative is an asset, or adjusted for the credit rating of the Company if the derivative is a liability. See Note 9, "Derivative Instruments," for more information.

Items Measured at Fair Value on a Non-recurring Basis

The following table shows the fair value of our assets and liabilities that are required to be measured at fair value as of June 30, 2013 and the total adjustments recorded on these items during the six months ended June 30, 2013:

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

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

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

Items Disclosed at Fair Value

Long-term debt

The fair value of the Company’s debt has been calculated based on the borrowing rates available as of June 30, 2013, for debt with similar terms and maturities, and based on market quotes of our publicly traded debt. As of June 30, 2013, the Company’s outstanding debt had an estimated fair value of $20,148.8 million and a carrying value of $21,071.3 million.

24

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

Note 17 — Litigation, Contractual Commitments and Contingent Liabilities

Litigation

Nevada Sales and Use Tax

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

On October 21, 2010, the administrative law judge ("ALJ") issued a decision and ruled in our favor on a number of key issues, including that complimentary employee meals are not subject to sales tax. Although both the Company and the Department filed an appeal of the decision with the Nevada Tax Commission ("Commission"), the case was returned to the ALJ for further factual development. The ALJ issued a second decision on March 8, 2012, reversing the previous, partially favorable ruling relating to the taxability of complimentary employee meals and affirmed the taxability of complimentary meals but limited the entire sales tax assessment to the amount of the Company's use tax refund claims resulting in no use tax refund awarded but no sales tax amounts due. The ALJ decision was affirmed in the Commission hearing on June 25, 2012 and the Commission's final decision was issued on July 31, 2012. We filed a petition for judicial review with the District Court on August 7, 2012. On March 1, 2013, the District Court judge ruled that employee meals are not subject to sales tax but affirmed the application of sales tax to complimentary patron meals. Additionally, the judge ordered a refund of the portion of our use tax refund claims filed prior to October 1, 2005 without any offsetting sales tax assessments relating to complimentary patron meals for those periods. We appealed the District Court decision to the Nevada Supreme Court.

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

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

Other

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

Contractual Commitments

Material changes to our aggregate indebtedness are described in Note 8, "Debt." At June 30, 2013, our estimated interest payments for the rest of the year ended December 31, 2013 are $1,001.9 million, for the years ended

December 31, 2014 through 2017 are $2,010.8 million, $1,670.4 million, $1,517.0 million, and $1,257.7 million, respectively, and our estimated interest payments thereafter are $1,401.4 million.
As of June 30, 2013, there have been no material changes outside of the ordinary course of business to our other known contractual obligations, which are set forth in our 2012 10-K.

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

Contingent Liabilities

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

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

Note 18 — Supplemental Cash Flow Information

Significant Non-cash Transactions

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

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

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

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

Cash Paid for Interest and Taxes

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

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

Note 19 — Stock-Based Compensation

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

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

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

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

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

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

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

Award Issuances

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

Note 20 — Related Party Transactions

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

Note 21 — Subsequent Events

Horseshoe Baltimore Financing

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

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

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

Caesars Acquisition Company

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

CEOC Notes

Open Market Purchases

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

Macau Land Concession

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

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

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

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

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

Note 22 — Condensed Consolidating Financial Information of Guarantors and Issuers

CEOC is the issuer of certain registered debt securities, a portion of which is guaranteed by Caesars Entertainment ("Parent-Only Guaranteed Debt") and a portion of which is guaranteed by both Caesars Entertainment and certain wholly-owned subsidiaries of CEOC ("Parent and Subsidiary Guaranteed Debt"). The table below presents the condensed consolidating financial information relevant to these two guarantee structures as of June 30, 2013, and December 31, 2012, and for the quarter and six months ended June 30, 2013 and 2012. The CEC (parent guarantor), subsidiary issuer, and subsidiary non-guarantors of parent-only guaranteed debt columns represent the information related to the Parent-Only Guaranteed Debt structure. The CEC (parent guarantor), subsidiary issuer, subsidiary guarantors of parent and subsidiary guaranteed debt, and subsidiary non-guarantors of parent and subsidiary guaranteed debt columns represent the information related to the Parent and Subsidiary Guaranteed Debt structure.

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

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

CONDENSED CONSOLIDATING BALANCE SHEET
JUNE 30, 2013
(In millions)

	CEC (Parent Guarantor)	Subsidiary Issuer	Subsidiary Guarantors of Parent and Subsidiary Guaranteed Debt (a)	Subsidiary Non-Guarantors of Parent and Subsidiary Guaranteed Debt (b)	Subsidiary Non-Guarantors of Parent-Only Guaranteed Debt (a) + (b)	Consolidating/ Eliminating Adjustments	Total
Assets							
Current assets							
Cash and cash equivalents	$ 195.0	$ 731.1	$ 304.6	$ 580.0	$ 884.6	$ —	$ 1,810.7
Restricted cash	10.5	—	1.0	76.9	77.9	—	88.4
Receivables, net of allowance for doubtful accounts	0.1	23.7	279.0	183.4	462.4	—	486.2
Deferred income taxes	—	33.4	72.7	18.0	90.7	—	124.1
Prepayments and other current assets	—	10.8	97.4	96.3	193.7	—	204.5
Inventories	—	0.2	30.3	15.8	46.1	—	46.3
Intercompany receivables	10.3	289.6	170.9	200.4	371.3	(671.2)	—
Assets held for sale	—	—	—	5.4	5.4	—	5.4
Total current assets	215.9	1,088.8	955.9	1,176.2	2,132.1	(671.2)	2,765.6
Property and equipment, net	—	186.0	8,409.6	6,869.9	15,279.5	(3.6)	15,461.9
Goodwill	—	—	1,330.9	1,821.9	3,152.8	—	3,152.8
Intangible assets other than goodwill	—	3.9	3,115.7	762.1	3,877.8	—	3,881.7
Investments in subsidiaries	—	11,286.2	914.4	863.2	1,777.6	(13,063.8)	—
Investments in and advances to non-consolidated affiliates	—	—	3.3	205.7	209.0	—	209.0
Restricted cash	—	—	—	246.0	246.0	—	246.0
Deferred charges and other	6.2	309.0	205.0	171.8	376.8	(5.3)	686.7
Intercompany receivables	325.1	1,074.0	585.4	55.0	640.4	(2,039.5)	—
Assets held for sale	—	—	—	441.1	441.1	—	441.1
	$ 547.2	$ 13,947.9	$ 15,520.2	$ 12,612.9	$ 28,133.1	$ (15,783.4)	$ 26,844.8
Liabilities and Stockholders'							

(Deficit)/Equity							
Current liabilities							
Accounts payable	$0.1	$92.9	$125.6	$108.9	$234.5	$—	$327.5
Interest payable	—	254.5	0.7	29.6	30.3	—	284.8
Accrued expenses	3.6	161.8	388.6	603.4	992.0	—	1,157.4
Current portion of long-term debt	—	141.9	10.4	6.2	16.6	—	158.5
Intercompany payables	1.2	45.3	426.2	198.5	624.7	(671.2)	—
Liabilities held for sale	—	—	—	3.6	3.6	—	3.6
Total current liabilities	4.9	696.4	951.5	950.2	1,901.7	(671.2)	1,931.8
Long-term debt	—	15,911.7	61.8	5,898.0	5,959.8	(958.7)	20,912.8
Accumulated losses of subsidiaries in excess of investment	1,308.5	—	—	—	—	(1,308.5)	—
Deferred credits and other	—	469.0	152.8	136.0	288.8	—	757.8
Deferred income taxes	—	81.6	2,163.3	1,664.9	3,828.2	21.1	3,930.9
Intercompany payables	55.0	285.4	871.1	828.0	1,699.1	(2,039.5)	—
Liabilities held for sale	—	—	—	49.6	49.6	—	49.6
	1,368.4	17,444.1	4,200.5	9,526.7	13,727.2	(4,956.8)	27,582.9
Total Caesars stockholders' (deficit)/equity	(821.2)	(3,496.2)	11,319.7	2,974.5	14,294.2	(10,826.6)	(849.8)
Non-controlling interests	—	—	—	111.7	111.7	—	111.7
Total (deficit)/equity	(821.2)	(3,496.2)	11,319.7	3,086.2	14,405.9	(10,826.6)	(738.1)
	$547.2	$13,947.9	$15,520.2	$12,612.9	$28,133.1	$(15,783.4)	$26,844.8

30

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

CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2012
(In millions)

	CEC (Parent Guarantor)	Subsidiary Issuer	Subsidiary Guarantors of Parent and Subsidiary Guaranteed Debt (a)	Subsidiary Non-Guarantors of Parent and Subsidiary Guaranteed Debt (b)	Subsidiary Non-Guarantors of Parent-Only Guaranteed Debt (a) + (b)	Consolidating/ Eliminating Adjustments	Total
Assets							
Current assets							
Cash and cash equivalents	$ 7.4	$ 911.9	$ 353.8	$ 484.4	$ 838.2	$ —	$ 1,757.5
Restricted cash	—	—	—	833.6	833.6	—	833.6
Receivables, less allowance for doubtful accounts	0.1	19.5	348.0	212.9	560.9	—	580.5
Deferred income taxes	—	17.4	75.7	21.8	97.5	—	114.9
Prepayments and other current assets	5.0	8.3	66.8	69.9	136.7	—	150.0
Inventories	—	0.3	31.7	20.0	51.7	—	52.0
Intercompany receivables	29.6	295.5	136.8	97.2	234.0	(559.1)	—
Assets held for sale	—	—	—	5.1	5.1	—	5.1
Total current assets	42.1	1,252.9	1,012.8	1,744.9	2,757.7	(559.1)	3,493.6
Property and equipment, net	—	189.9	8,534.6	6,977.2	15,511.8	—	15,701.7
Goodwill	—	—	1,331.0	1,829.3	3,160.3	—	3,160.3
Intangible assets other than goodwill	—	4.2	3,183.0	798.5	3,981.5	—	3,985.7
Investments in subsidiaries	—	11,669.6	920.3	790.7	1,711.0	(13,380.6)	—
Investments in and advances to non-consolidated affiliates	—	—	3.0	97.4	100.4	—	100.4
Restricted cash	—	—	—	364.6	364.6	—	364.6
Deferred charges and other	7.5	298.4	184.8	236.6	421.4	(6.7)	720.6
Intercompany receivables	563.1	1,089.6	585.9	153.8	739.7	(2,392.4)	—
Assets held for sale	—	—	—	471.2	471.2	—	471.2
	$ 612.7	$ 14,504.6	$ 15,755.4	$ 13,464.2	$ 29,219.6	$ (16,338.8)	$ 27,998.1
Liabilities and Stockholders’							

(Deficit)/Equity							
Current liabilities							
Accounts payable	$ 3.9	$ 75.9	$ 156.5	$ 139.9	$ 296.4	$ —	$ 376.2
Interest payable	—	176.0	0.4	57.3	57.7	—	233.7
Accrued expenses	3.7	164.7	434.7	491.6	926.3	—	1,094.7
Current portion of long-term debt	—	126.2	10.7	743.0	753.7	—	879.9
Intercompany payables	15.9	88.1	284.8	170.3	455.1	(559.1)	—
Liabilities held for sale	—	—	—	3.8	3.8	—	3.8
Total current liabilities	23.5	630.9	887.1	1,605.9	2,493.0	(559.1)	2,588.3
Long-term debt	—	15,257.0	64.8	6,122.9	6,187.7	(912.5)	20,532.2
Accumulated losses of subsidiaries in excess of investment	925.4	—	—	—	—	(925.4)	—
Deferred credits and other	4.1	535.0	160.2	123.7	283.9	—	823.0
Deferred income taxes	—	422.6	2,188.9	1,714.7	3,903.6	7.9	4,334.1
Intercompany payables	55.0	614.5	871.7	851.2	1,722.9	(2,392.4)	—
Liabilities held for sale	—	—	—	52.1	52.1	—	52.1
	1,008.0	17,460.0	4,172.7	10,470.5	14,643.2	(4,781.5)	28,329.7
Total Caesars stockholders' (deficit)/equity	(395.3)	(2,955.4)	11,582.7	2,913.6	14,496.3	(11,557.3)	(411.7)
Non-controlling interests	—	—	—	80.1	80.1	—	80.1
Total (deficit)/equity	(395.3)	(2,955.4)	11,582.7	2,993.7	14,576.4	(11,557.3)	(331.6)
	$ 612.7	$ 14,504.6	$ 15,755.4	$ 13,464.2	$ 29,219.6	$ (16,338.8)	$ 27,998.1

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

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE (LOSS)/INCOME
FOR THE QUARTER ENDED JUNE 30, 2013
(In millions)

	CEC (Parent Guarantor)	Subsidiary Issuer	Subsidiary Guarantors of Parent and Subsidiary Guaranteed Debt (a)	Subsidiary Non-Guarantors of Parent and Subsidiary Guaranteed Debt (b)	Subsidiary Non-Guarantors of Parent-Only Guaranteed Debt (a) + (b)	Consolidating/ Eliminating Adjustments	Total
Revenues							
Casino	$ —	$ 16.5	$ 865.9	$ 552.7	$ 1,418.6	$ —	$ 1,435.1
Food and beverage	—	3.5	208.3	174.3	382.6		