

CAESARS ENTERTAINMENT Corp
Form 10-Q
August 08, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2012

or

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

For the transition period from to

Commission File No. 1-10410

CAESARS ENTERTAINMENT CORPORATION

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

I.R.S. No. 62-1411755
(I.R.S. Employer
Identification No.)

One Caesars Palace Drive, Las Vegas, Nevada
(Address of principal executive offices)

89109
(Zip Code)

(702) 407-6000
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer Accelerated filer

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

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

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

Class	Outstanding at August 1, 2012
Common stock, \$0.01 par value	125,312,197

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CAESARS ENTERTAINMENT CORPORATION

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

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements**

CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS

(UNAUDITED)

(In millions, except par value)

	June 30, 2012	December 31, 2011
Assets		
Current assets		
Cash and cash equivalents	\$ 985.1	\$ 894.6
Receivables, less allowance for doubtful accounts of \$208.8 and \$202.3	492.8	488.3
Deferred income taxes	170.5	170.5
Prepayments and other current assets	259.1	227.6
Inventories	50.4	44.6
Assets held for sale	11.1	11.6
Total current assets	1,969.0	1,837.2
Property and equipment, net	16,676.1	17,069.9
Goodwill	3,360.4	3,360.4
Intangible assets other than goodwill	4,244.0	4,363.2
Investments in and advances to non-consolidated affiliates	92.2	94.2
Restricted cash	346.2	451.1
Deferred charges and other	758.0	746.2
Assets held for sale	592.3	593.4
	\$ 28,038.2	\$ 28,515.6
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 305.0	\$ 290.1
Interest payable	183.6	191.4
Accrued expenses	1,132.8	1,070.8
Current portion of long-term debt	42.8	40.4
Liabilities held for sale	9.6	10.1
Total current liabilities	1,673.8	1,602.8
Long-term debt	19,900.8	19,759.5
Deferred credits and other	889.8	901.8
Deferred income taxes	4,966.6	5,198.1
	27,431.0	27,462.2
Commitments and contingencies		
Stockholders' equity		
Common stock; voting; \$0.01 par value; 127.4 and 125.4 shares issued, respectively	1.3	0.7
Treasury stock; 2.1 and 0.3 shares, respectively	(16.3)	

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Additional paid-in capital	6,935.9	6,885.1
Accumulated deficit	(6,305.0)	(5,782.7)
Accumulated other comprehensive loss	(85.7)	(96.4)
Total Caesars stockholders' equity	530.2	1,006.7
Non-controlling interests	77.0	46.7
Total equity	607.2	1,053.4
	\$ 28,038.2	\$ 28,515.6

See accompanying Notes to Consolidated Condensed Financial Statements.

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

	Quarter Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2012	2011	2012	2011
Revenues				
Casino	\$ 1,552.6	\$ 1,612.9	\$ 3,178.4	\$ 3,217.0
Food and beverage	385.9	376.7	768.7	748.2
Rooms	316.4	304.9	620.2	594.9
Management fees	12.3	8.9	21.9	18.0
Other	203.6	162.8	399.9	306.3
Less: casino promotional allowances	(305.1)	(304.5)	(615.0)	(606.6)
Net revenues	2,165.7	2,161.7	4,374.1	4,277.8
Operating expenses				
Direct				
Casino	898.7	898.8	1,824.3	1,807.9
Food and beverage	170.4	165.7	332.9	322.6
Rooms	80.7	74.1	155.8	141.7
Property, general, administrative, and other	522.4	506.3	1,034.7	1,027.5
Depreciation and amortization	180.9	169.5	364.6	341.7
Write-downs, reserves, and project opening costs, net of recoveries	8.0	29.2	30.6	47.7
Intangible and tangible asset impairment charges	134.0		301.5	
Loss on interests in non-consolidated affiliates	3.2	3.4	10.3	3.0
Corporate expense	41.3	44.2	93.5	78.6
Acquisition and integration costs	1.1	(0.4)	1.2	2.3
Amortization of intangible assets	43.2	39.3	86.4	78.6
Total operating expenses	2,083.9	1,930.1	4,235.8	3,851.6
Income from operations	81.8	231.6	138.3	426.2
Interest expense, net of interest capitalized	(496.5)	(524.6)	(1,058.5)	(998.0)
Gains on early extinguishments of debt	33.7	14.7	79.5	47.9
Other income, including interest income	6.5	5.0	14.7	8.5
Loss from continuing operations before income taxes	(374.5)	(273.3)	(826.0)	(515.4)
Benefit for income taxes	118.6	107.7	277.4	193.5
Loss from continuing operations, net of income taxes	(255.9)	(165.6)	(548.6)	(321.9)
Discontinued operations				
Income from discontinued operations	22.9	20.5	41.9	39.5
Provision for income taxes	(8.8)	(8.0)	(16.2)	(15.5)
Income from discontinued operations, net of income taxes	14.1	12.5	25.7	24.0
Net loss	(241.8)	(153.1)	(522.9)	(297.9)

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Less: net loss/(income) attributable to non-controlling interests	0.1	(2.4)	0.6	(5.0)
Net loss attributable to Caesars	(241.7)	(155.5)	(522.3)	(302.9)
Other comprehensive income/(loss):				
Total other comprehensive income/(loss), net of income taxes	2.9	(12.6)	12.2	3.6
Less: foreign currency translation adjustments attributable to non-controlling interests	(0.5)	(0.2)	(1.5)	(3.4)
 Comprehensive loss attributable to Caesars	 \$ (239.3)	 \$ (168.3)	 \$ (511.6)	 \$ (302.7)
 (Loss)/earnings per share - basic and diluted				
Loss per share from continuing operations	\$ (2.04)	\$ (1.34)	\$ (4.38)	\$ (2.61)
Earnings per share from discontinued operations	0.11	0.10	0.21	0.19
 Net loss per share	 \$ (1.93)	 \$ (1.24)	 \$ (4.17)	 \$ (2.42)
 Weighted-average common shares outstanding - basic and diluted	 125.3	 125.1	 125.2	 125.1

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents**CAESARS ENTERTAINMENT CORPORATION****CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS EQUITY****(UNAUDITED)****(In millions)**

	Caesars Stockholders		Accumulated Other Comprehensive		Total Caesars	Non-	Total	
	Common Stock	Treasury Stock	Paid-in-Capital	Accumulated Deficit	Income/(Loss)	Stockholders Equity	controlling Interests	Equity
Balance at December 31, 2010	\$ 0.7	\$	\$ 6,906.5	\$ (5,105.6)	\$ (168.8)	\$ 1,632.8	\$ 39.8	\$ 1,672.6
Effect of ASU 2010-16 Accruals for Casino Jackpot Liabilities, net of tax				10.7		10.7		10.7
Net loss				(302.9)		(302.9)	5.0	(297.9)
Share-based compensation			10.2			10.2	0.1	10.3
Increase of treasury shares			(0.9)			(0.9)		(0.9)
Distributions to non-controlling interests, net of contributions							(3.9)	(3.9)
Other comprehensive income, net of tax					0.2	0.2	3.4	3.6
Balance at June 30, 2011	\$ 0.7	\$	\$ 6,915.8	\$ (5,397.8)	\$ (168.6)	\$ 1,350.1	\$ 44.4	\$ 1,394.5
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 of treasury shares		(16.3)	16.3					
Increase in 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

* Amount rounds to zero.

See accompanying Notes to Consolidated Condensed Financial Statements.

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	Six Months Ended June 30,	
	2012	2011
Cash flows from operating activities		
Net loss	\$ (522.9)	\$ (297.9)
Adjustments to reconcile net loss to cash flows provided by operating activities:		
Income from discontinued operations	(25.7)	(24.0)
Gains on early extinguishments of debt	(79.5)	(47.9)
Depreciation and amortization	457.3	426.4
Amortization of deferred finance costs and debt discount/premium	163.6	115.9
Reclassification from, and amortization of, accumulated other comprehensive loss	14.3	19.9
Non-cash write-downs and reserves, net of recoveries	9.1	0.9
Impairment of intangible and tangible assets	301.5	
Share-based compensation expense	33.2	10.3
Deferred income taxes	(236.7)	(181.0)
Change in deferred charges and other	(13.9)	24.4
Change in deferred credits and other	(27.6)	(4.8)
Change in current assets and liabilities:		
Accounts receivable	(11.4)	(28.6)
Prepayments and other current assets	(39.9)	(10.3)
Accounts payable	(9.0)	45.4
Interest payable	(7.2)	(15.1)
Accrued expenses	55.3	33.1
Other	11.2	15.4
Cash flows provided by operating activities	71.7	82.1
Cash flows from investing activities		
Acquisitions of property and equipment, net of change in construction payables	(192.2)	(89.7)
Change in restricted cash	100.7	(546.0)
Payments to acquire business, net of transaction costs and cash acquired	15.2	(31.1)
Investments in/advances to non-consolidated affiliates and other	(13.9)	(74.0)
Other	(10.2)	(7.5)
Cash flows used in investing activities	(100.4)	(748.3)
Cash flows from financing activities		
Proceeds from the issuance of long-term debt	1,710.1	863.8
Debt issuance costs and fees	(31.9)	(17.5)
Borrowings under lending agreements	453.0	135.0
Repayments under lending agreements	(608.0)	(135.0)
Cash paid for early extinguishments of debt	(1,450.6)	(125.9)
Scheduled debt retirements	(9.0)	(23.5)
Purchase of additional interests in subsidiary	(9.6)	
Proceeds from sale of additional interest in a subsidiary	32.2	
Issuance of common stock, net of fees	17.4	
Other	(11.1)	(8.2)

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Cash flows provided by financing activities	92.5	688.7
Cash flows from discontinued operations		
Cash flows from operating activities	29.0	33.0
Cash flows from investing activities	(2.3)	(2.0)
Cash flows from financing activities		
Net cash provided by discontinued operations	26.7	31.0
Net increase in cash and cash equivalents	90.5	53.5
Cash and cash equivalents, beginning of period	894.6	973.5
Cash and cash equivalents, end of period	\$ 985.1	\$ 1,027.0

See accompanying Notes to Consolidated Condensed Financial Statements.

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CAESARS ENTERTAINMENT CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(UNAUDITED)

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

Note 1 Organization and Basis of Presentation

Organization

As of June 30, 2012, we owned, operated, or managed, through various subsidiaries, 53 casinos in 13 U.S. states and seven countries. The majority of these casinos operate in the United States and England, primarily under the Caesars, Harrah's, and Horseshoe brand names in the U.S. Our casino entertainment facilities include 34 land-based casinos, 12 riverboat or dockside casinos, three managed casinos on Indian lands in the U.S., one managed casino in Canada, one casino combined with a greyhound racetrack, one casino combined with a thoroughbred racetrack, and one casino combined with a harness racetrack. Our 34 land-based casinos include one in Uruguay, nine in England, one in Scotland, two in Egypt, and one in South Africa. We view each casino property as an operating segment and aggregate all such casino properties into one reportable segment.

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

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

Basis of Presentation

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

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

Note 2 Acquisitions, Investments and Dispositions

Acquisitions and Investments

Chester Downs

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

Table of ContentsWindsor Casino Limited

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

DispositionsHarrah s St. Louis

In May 2012, the Company, along with certain of its wholly-owned subsidiaries, entered into an equity interest purchase agreement with Penn National Gaming, Inc. (Penn) whereby the Company is selling its Harrah s St. Louis casino to Penn for a purchase price of \$610.0 million subject to customary closing conditions, including the receipt of regulatory approvals. The sale is expected to close in the second half of 2012. The Company expects to use the net proceeds from the sale to fund Caesars Entertainment Operating Company, Inc. (CEOC) capital expenditures or to repurchase certain outstanding debt obligations of CEOC.

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

(In millions)	June 30, 2012	December 31, 2011
Assets		
Cash and cash equivalents	\$ 9.6	\$ 10.0
Other current assets	1.5	1.6
Assets held for sale, current	\$ 11.1	\$ 11.6
Property and equipment, net	\$ 194.9	\$ 196.1
Goodwill	104.4	104.4
Intangible assets other than goodwill	292.7	292.7
Other long-term assets	0.3	0.2
Assets held for sale, non-current	\$ 592.3	\$ 593.4
Liabilities		
Accounts payable and accrued expenses	\$ 9.6	\$ 10.1
Liabilities held for sale, current	\$ 9.6	\$ 10.1

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

(In millions)	Quarter Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net revenues	\$ 64.9	\$ 67.4	\$ 128.5	\$ 130.3
Pre-tax income from discontinued operations	\$ 22.9	\$ 20.5	\$ 41.9	\$ 39.5
Discontinued operations, net of income taxes	\$ 14.1	\$ 12.5	\$ 25.7	\$ 24.0

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Property and equipment, net consisted of the following:

(In millions)	June 30, 2012	December 31, 2011
Land and land improvements	\$ 7,420.5	\$ 7,411.8
Land concessions	504.4	606.7
Buildings, riverboats, and improvements	8,965.4	8,944.5
Furniture, fixtures, and equipment	2,395.7	2,353.2
Construction in progress	348.3	361.1
	19,634.3	19,677.3
Less: accumulated depreciation	(2,958.2)	(2,607.4)
	\$ 16,676.1	\$ 17,069.9

Interest capitalized was \$9.2 million and \$0.2 million for the quarter ended June 30, 2012 and 2011, respectively, and \$18.0 million and \$0.7 million for the six months ended June 30, 2012 and 2011, respectively. Interest capitalized in 2012 was primarily related to the Linq project in Las Vegas.

In March 2012, we recorded an impairment of \$167.5 million on tangible assets related to a previously halted development project in Biloxi, Mississippi that was included in construction in progress. During the second quarter of 2012, we determined that it is more likely than not that we will divest of our investment in a land concession in Macau prior to the end of the remaining 35-year term of the concession. As a result, we performed an impairment assessment on this investment and recorded an impairment charge of \$101.0 million.

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

(In millions)	Quarter Ended June 30, 2012	Quarter Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Depreciation expense	\$ 184.7	\$ 175.7	\$ 374.4	\$ 355.5

Note 4 Goodwill and Other Intangible Assets

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

(In millions)	Amortizing Intangible Assets	Non-Amortizing Intangible Assets Goodwill	Non-Amortizing Intangible Assets Other
Balance at December 31, 2011	\$ 1,163.7	\$ 3,360.4	\$ 3,199.5
Impairment			(33.0)
Amortization expense	(86.4)		
Other, including foreign currency translation	0.1		0.1
Balance at June 30, 2012	\$ 1,077.4	\$ 3,360.4	\$ 3,166.6

We completed an impairment assessment of goodwill and other non-amortizing intangible assets during the second quarter of 2012, and recorded an impairment of \$33.0 million related to trademark intangibles as a result of reduced revenues associated with our trademarks. For our assessment, we determined the estimated fair value of each reporting unit as a function, or multiple, of earnings before interest, taxes, depreciation and amortization (EBITDA), combined with estimated future cash flows discounted at rates commensurate with the Company's capital structure and the prevailing borrowing rates within the casino industry in general. Both EBITDA multiples and discounted cash flows are

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common measures used to value and buy or sell cash-intensive businesses such as casinos. We determine the estimated fair values of our non-amortizing intangible assets by primarily using the Relief From Royalty Method and Excess Earnings Method under the income approach.

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

(Dollars in millions)	Weighted Average Remaining Useful Life (in years)	June 30, 2012			December 31, 2011		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets							
Customer relationships	7.5	\$ 1,456.8	\$ (555.4)	\$ 901.4	\$ 1,456.7	\$ (492.4)	\$ 964.3
Contract rights	2.5	144.5	(59.1)	85.4	144.4	(52.3)	92.1
Patented technology	3.9	118.9	(60.5)	58.4	118.9	(45.9)	73.0
Gaming rights	12.0	42.8	(11.5)	31.3	42.8	(10.2)	32.6
Trademarks	0.6	7.8	(6.9)	0.9	7.8	(6.1)	1.7
		\$ 1,770.8	\$ (693.4)	1,077.4	\$ 1,770.6	\$ (606.9)	1,163.7
Non-amortizing intangible assets							
Trademarks				1,875.8			1,908.7
Gaming rights				1,290.8			1,290.8
				3,166.6			3,199.5
Total intangible assets other than goodwill				\$ 4,244.0			\$ 4,363.2

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

Detail of Debt (dollars in millions)	Final Maturity	Rate(s) at June 30, 2012	Face Value at June 30, 2012	Book Value at June 30, 2012	Book Value at Dec. 31, 2011
Credit Facilities					
Term Loans B1 - B3	2015	3.25% -3.46%	\$ 1,987.0	\$ 1,987.0	\$ 5,000.5
Term Loan B4	2016	9.50%	975.0	957.8	961.2
Term Loan B5	2018	4.50%	1,222.7	1,218.5	1,218.2
Term Loan B6	2018	5.50%	2,035.6	2,018.0	
Revolving Credit Facility	2014				155.0
Revolving Credit Facility	2017				
Secured Debt					
Senior Secured Notes	2017	11.25%	2,095.0	2,057.3	2,054.6
Senior Secured Notes	2020	8.50%	1,250.0	1,250.0	
CMBS Financing	2015*	3.24%	4,829.1	4,824.6	5,026.0
Second-Priority Senior Secured Notes	2018	12.75%	750.0	742.5	742.1
Second-Priority Senior Secured Notes	2018	10.00%	4,553.1	2,191.3	2,131.2
Second-Priority Senior Secured Notes	2015	10.00%	214.8	168.7	164.2
Chester Downs term loan	2016				221.3
Chester Downs Senior Secured Notes	2020	9.25%	330.0	330.0	
PHW Las Vegas Senior Secured Loan	2015*	3.10%	515.6	427.8	417.9
Linq/Octavius Senior Secured Loan	2017	9.25%	450.0	446.2	445.9
Subsidiary-guaranteed Debt					
Senior Notes	2016	10.75%	478.6	478.6	478.6
Senior PIK Toggle Notes	2018	10.75%/11.5%	9.2	9.2	8.6
Unsecured Senior Debt					
5.375%	2013	5.375%	125.2	112.5	108.6
7.0%	2013	7.00%	0.6	0.6	0.6
5.625%	2015	5.625%	364.5	296.9	287.7
6.5%	2016	6.50%	248.7	195.5	190.6
5.75%	2017	5.75%	147.9	105.8	107.2
Floating Rate Contingent Convertible Senior Notes	2024	0.57%	0.2	0.2	0.2
Other Unsecured Borrowings					
Special improvement district bonds	2037	5.30%	64.3	64.3	65.7
Other	Various	Various	28.9	28.9	0.4
Capitalized Lease Obligations	to 2014	1.10%-9.49%	31.4	31.4	13.6
Total debt			22,707.4	19,943.6	19,799.9
Current portion of long-term debt			(46.2)	(42.8)	(40.4)
Long-term debt			\$ 22,661.2	\$ 19,900.8	\$ 19,759.5

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

As of June 30, 2012 and December 31, 2011, book values are presented net of unamortized discounts of \$2,763.8 million and \$2,858.0 million, respectively.

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Our current maturities of debt include required interim principal payments on certain Term Loans, the special improvement district bonds and capitalized lease obligations.

Credit Agreement

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

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

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

During the second quarter of 2012, CEOC extended the maturity on an additional \$123.5 million of B-1, B-2, and B-3 term loans and converted another \$38.0 million of original maturity revolver commitments to Term B-6 Loans.

As of June 30, 2012, our Credit Facilities provide for senior secured financing of up to \$7,300.5 million, consisting of (i) senior secured term loans in an aggregate principal amount of \$6,220.3 million comprised of \$1,987.0 million maturing on January 28, 2015, \$975.0 million maturing on October 31, 2016, and \$3,258.3 million maturing on January 28, 2018 and (ii) a senior secured revolving credit facility in an aggregate principal amount of up to \$1,080.2 million, with \$1,055.2 million maturing January 28, 2014 and \$25.0 million maturing on January 28, 2017, including both a letter of credit sub-facility and a swingline loan sub-facility. The term loans under the Credit Facilities require scheduled quarterly payments of \$3.8 million, with the balance due at maturity. As of June 30, 2012, \$97.9 million of the revolving credit facility is committed to outstanding letters of credit. After consideration of the letter of credit commitments, \$982.3 million of additional borrowing capacity was available to the Company under its revolving credit facility as of June 30, 2012.

CMBS Financing

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

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

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Other Financing Transactions

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

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

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

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

Restrictive Covenants and Other Matters

Certain of our borrowings have covenants and requirements that include, among other things, the maintenance of specific levels of financial ratios. Failure to comply with these covenants can result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions. Specifically, CEOC's senior secured credit facilities require CEOC to maintain a senior secured leverage ratio of no more than 4.75 to 1.0, which is the ratio of senior first priority secured debt to last twelve months (LTM) Adjusted EBITDA-Pro Forma - CEOC Restricted. This ratio excludes up to \$2,200.0 million of first priority senior secured notes and up to \$350.0 million aggregate principal amount of consolidated debt of subsidiaries that are not wholly owned. This ratio also reduces the amount of senior first priority secured debt by the amount of unrestricted cash on hand. As of June 30, 2012, CEOC's senior secured leverage ratio was 4.30 to 1.0. Many factors affect CEOC's continuing ability to comply with the covenant including (a) changes in gaming trips, spend per trip and hotel metrics, which are correlated to a consumer recovery, (b) increases in cost-savings actions, (c) asset sales, (d) issuing additional second lien or unsecured debt, (e) equity financings, (f) delays in investments in new developments, or (g) a combination thereof. In addition, under certain circumstances, our senior secured credit facilities allow us to apply cash contributions received by CEOC as an increase to Adjusted EBITDA if CEOC is unable to meet its Senior Secured Leverage Ratio.

In addition, certain covenants contained in CEOC's senior secured credit facilities and indentures covering its second priority senior secured notes and first priority senior secured notes restrict our ability to take certain actions such as incurring additional debt or making acquisitions if we are unable to meet a fixed charge coverage ratio (LTM Adjusted EBITDA-Pro Forma - CEOC Restricted to fixed charges) of at least 2.0 to 1.0, a total first priority secured leverage ratio (first priority senior secured debt to LTM Adjusted EBITDA-Pro Forma - CEOC Restricted) of no more than 4.5 to 1.0, and/or a consolidated leverage ratio (consolidated total debt to LTM Adjusted EBITDA-Pro Forma - CEOC Restricted) of no more than 7.25 to 1.0. As of June 30, 2012, CEOC's total first priority secured leverage ratio and consolidated leverage ratio were 6.05 to 1.0 and 12.02 to 1.0, respectively. For the twelve months ended June 30, 2012, CEOC's earnings were insufficient to cover fixed charges by \$614.8 million. For purposes of calculating the fixed charge coverage ratio, fixed charges includes consolidated interest expense less interest income and any cash dividends paid on preferred stock (other than amounts eliminated in consolidation). For purposes of calculating the total first priority secured leverage ratio and the consolidated leverage ratio, the amounts of first priority senior secured debt and consolidated total debt, respectively, are reduced by the amount of unrestricted cash on hand. The covenants that provide for the fixed charge coverage ratio, total first priority secured leverage ratio, and consolidated leverage ratio described in this paragraph are not maintenance covenants.

Table of Contents**Note 6 Derivative Instruments*****Derivative Instruments Interest Rate Swap Agreements***

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

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

Effective Date	Notional Amount (In millions)	Fixed Rate Paid	Variable Rate Received as of June 30, 2012	Next Reset Date	Maturity Date
April 25, 2011	\$ 250.0	1.351%	0.245%	July 25, 2012	January 25, 2015
April 25, 2011	250.0	1.347%	0.245%	July 25, 2012	January 25, 2015
April 25, 2011	250.0	1.350%	0.245%	July 25, 2012	January 25, 2015
January 25, 2011	1,000.0	3.068%	0.245%	July 25, 2012	January 25, 2015
April 25, 2011	1,000.0	3.150%	0.245%	July 25, 2012	January 25, 2015
January 25, 2011	1,000.0	3.750%	0.245%	July 25, 2012	January 25, 2015
April 25, 2011	1,000.0	3.264%	0.245%	July 25, 2012	January 25, 2015
January 25, 2011	1,000.0	3.814%	0.245%	July 25, 2012	January 25, 2015

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

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

Derivative Instruments Interest Rate Cap Agreements

We have an interest rate cap agreement to partially hedge the risk of future increases in the variable rate of the CMBS Financing. The CMBS interest rate cap agreement, which was effective in January 2008 and terminates February 13, 2013, is for a notional amount of \$6,500.0 million at a LIBOR cap rate of 4.5%. We are amortizing deferred losses from the interest rate cap frozen in accumulated other comprehensive loss (AOCL) into income over the original remaining term of the hedged forecasted transactions that are still probable of occurring. For the quarter and six months ended June 30, 2012, we recorded \$5.2 million and \$10.4 million, respectively, as an increase to interest expense, and we will record an additional \$13.9 million as an increase to interest expense and AOCL through the termination date, all related to deferred losses on the interest rate cap. At June 30, 2012, \$4,650.2 million of the interest rate cap was designated a cash flow hedging instrument for accounting purposes. Any future changes in fair value of the portion of the interest rate cap not designated as a hedging instrument will be recognized in interest expense during the period in which the changes in value occur.

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

Derivative Instruments Other

During the second quarter of 2012, the Company entered into a \$33.2 million written put option (the Option) for certain preferred equity interests. The potential future aggregate cash payments of \$33.2 million related to the Option may occur from time to time. Based on the structure of this security as a written put option, the obligation for these potential cash payments is not reflected in our consolidated condensed balance sheets. Additionally, the Option is recorded in our consolidated condensed balance sheets at its fair value, which was \$0 as of June 30, 2012.

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Derivative Instruments Impact on Consolidated Condensed Financial Statements

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

(In millions)	Asset Derivatives				Liability Derivatives			
	June 30, 2012		December 31, 2011		June 30, 2012		December 31, 2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments								
Interest rate caps	Deferred charges and other	\$ *	Deferred charges and other	\$ *				
Derivatives not designated as hedging instruments								
Interest rate swaps					Deferred credits and other	\$ (353.2)	Deferred credits and other	\$ (336.1)
Interest rate caps	Deferred charges and other	*	Deferred charges and other	*				
Total derivatives		\$ *		\$ *		\$ (353.2)		\$ (336.1)

* Amount rounds to zero

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

(In millions)	Amount of (Gain) or Loss Recognized in AOCL (Effective Portion)		Location of (Gain) or Loss	Amount of (Gain) or Loss Recognized in Net Loss (Effective Portion)		Location of (Gain) or Loss (Ineffective Portion)	Amount of (Gain) or Loss Recognized in Net Loss (Ineffective Portion)	
	Quarter Ended June 30, 2012	Quarter Ended June 30, 2011	From AOCL Into Net Loss	Quarter Ended June 30, 2012	Quarter Ended June 30, 2011		Quarter Ended June 30, 2012	Quarter Ended June 30, 2011
Derivatives designated as hedging instruments								
Interest rate contracts	\$	\$ 45.8	Interest expense	\$ 7.2	\$ 9.2	Interest expense	\$	\$ 14.2

(In millions)

Derivatives not designated

as hedging instruments

	Location of (Gain) or Loss Recognized in Net Loss	Quarter Ended June 30, 2012	Quarter Ended June 30, 2011
Interest rate contracts	Interest expense	\$ (17.6)	\$ 8.9

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

(In millions)	Amount of (Gain) or Loss Recognized in AOCL		Location of (Gain) or Loss Reclassified From AOCL Into Net Loss	Amount of (Gain) or Loss Reclassified from AOCL into Net Loss		Location of (Gain) or Loss Recognized in Net Loss (Ineffective Portion)	Amount of (Gain) or Loss Recognized in Net Loss (Ineffective Portion)	
	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011		Six Months Ended June 30, 2012	Six Months Ended June 30, 2011		Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Derivatives designated as hedging instruments								
Interest rate contracts	\$	\$ 1.8	Interest expense	\$ 14.3	\$ 19.3	Interest expense	\$	\$ 4.4

(In millions)	Location of (Gain) or Loss Recognized in Net Loss	Amount of (Gain) or Loss Recognized in Net Loss	
		Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Derivatives not designated as hedging instruments			
Interest rate contracts	Interest expense	\$ 17.1	\$ 5.6

In addition to the impact on interest expense from amounts reclassified from AOCL, the difference to be paid or received under the terms of the interest rate swap agreements is recognized as interest expense and is paid quarterly. This cash settlement portion of the interest rate swap agreements increased interest expense for the quarters and six months ended June 30, 2012 and 2011 by approximately \$42.2 million and \$84.0 million, and \$50.8 million and \$117.3 million, respectively.

At June 30, 2012, our variable-rate debt, excluding \$5,750.0 million of variable-rate debt hedged using interest rate swap agreements, represents 28% of our total debt, while our fixed-rate debt is 72% of our total debt.

Note 7 Stockholders' Equity, Non-controlling Interests, and Loss Per Share**Common Stock**

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

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

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The Shelf Registration was filed in February 2012, and, upon its effectiveness, 50% of the Registered Shares became eligible for resale under the Shelf Registration. The Participating Co-Investors agreed not to offer or sell, dispose of or hedge, directly or indirectly, the remaining 50% of the Registered Shares without the permission of certain of the underwriters for the public offering for a period of 180 days from the pricing of such offering, subject to certain exceptions and automatic extension in certain circumstances.

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

Non-controlling Interests

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

Loss Per Share

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

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

(In millions)	Quarter Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Stock options outstanding	8.2	6.9	8.2	7.0
Warrants outstanding	0.4	0.1	0.4	0.1
Total anti-dilutive potential common shares	8.6	7.0	8.6	7.1

Note 8 Stock-Based Compensation

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

(In millions)	Quarter Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Amounts included in:				
Corporate expense	\$ 4.1	\$ 1.8	\$ 14.2	\$ 5.6
Property, general, administrative, and other	17.6	2.6	19.0	4.7

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Total stock-based compensation expense	\$ 21.7	\$ 4.4	\$ 33.2	\$ 10.3
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During the quarter ended June 30, 2012, the Company recorded \$16.2 million of expense related to stock-based awards of its subsidiaries, of which \$15.5 million related to liability-classified awards that are re-measured to fair value at each reporting date, and \$0.7 million related to equity-classified awards that are measured at their fair value at the date of grant.

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

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

the maximum number of shares of common stock subject to those options and stock appreciation rights that are granted during any calendar year to any individual under the 2012 Incentive Plan is 3,433,509 shares, prior to consideration of the July 2012 amendment as further described in Note 16, Subsequent Events ;

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

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

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

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

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

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2011	8,744,649	\$ 38.15
Granted	397,951	\$ 15.11
Canceled	(617,678)	\$ 26.25
Outstanding at June 30, 2012	8,524,922	\$ 32.85
Vested and expected to vest at June 30, 2012	7,210,354	\$ 32.04
Exercisable at June 30, 2012	4,531,956	\$ 28.15

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Subsequent to June 30, 2012, the Company approved a one-time stock option exchange program. Refer to Note 16, Subsequent Events.

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

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

(In millions)	Quarter Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Write-downs and reserves, net of recoveries:				
Remediation costs	\$ 3.6	\$ 4.3	\$ 6.0	\$ 7.8
Efficiency projects	1.7	14.0	7.8	25.5
Flood insurance deductibles	0.1	4.4	0.5	4.4
Litigation reserves, awards and settlements	(0.2)	5.3	(0.2)	6.1
Divestitures and abandonments	1.9	(2.6)	14.6	(0.4)
Other	0.8	(0.3)	0.1	
Total write-downs and reserves, net of recoveries	7.9	25.1	28.8	43.4
Project opening costs	0.1	4.1	1.8	4.3
Total write-downs, reserves, and project opening costs, net of recoveries	\$ 8.0	\$ 29.2	\$ 30.6	\$ 47.7

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

Efficiency projects represent costs incurred to identify and implement efficiency programs aimed at streamlining corporate and operating functions to achieve cost savings and efficiencies, such as Project Renewal.

Flood insurance deductibles represent the deductibles incurred as a result of the temporary closures of certain properties due to flooding.

Litigation reserves, awards and settlements include costs incurred/(reversed) as a result of the Company's involvement in various litigation matters, including contingent losses.

Divestitures and abandonments include (gains)/losses on divested assets and costs associated with various projects that are determined to no longer be viable.

Note 10 Income Taxes

Total income taxes were allocated as follows:

(In millions)	Quarter Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Income tax (benefit) on loss before income taxes	\$ (118.6)	\$ (107.7)	\$ (277.4)	\$ (193.5)
Income tax expense on discontinued operations	8.8	8.0	16.2	15.5
Accumulated other comprehensive loss/(income)	1.7	(17.2)	4.6	0.2
Accumulated deficit				6.0

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.

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We file income tax returns, including returns for our subsidiaries, with federal, state, and foreign jurisdictions. We are under regular and recurring audit by the Internal Revenue Service (IRS) on open tax positions, and it is possible that the amount of the liability for unrecognized tax benefits could change during the next twelve months. The IRS audit of our 2008 federal income tax year concluded during the quarter ended June 30, 2010. The IRS proposed an adjustment to our cancellation of debt income tax position which was appealed. In the quarter ended June 30, 2012, the issue was settled resulting in a reduction of our net operating loss carryforwards of approximately \$5.4 million. In connection with the settlement, the total amount of unrecognized tax benefits (UTB) decreased by \$72.2 million. The decrease in UTB did not impact the Company s effective tax rate.

Table of Contents**Note 11 Fair Value Measurements****Items Measured at Fair Value on a Recurring Basis**

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

(In millions)	Balance	Level 1	Level 2	Level 3
June 30, 2012				
Assets:				
Investments	\$ 114.5	\$ 113.0	\$ 1.5	\$
Derivative instruments	*		*	
Liabilities:				
Derivative instruments	(353.2)		(353.2)	
December 31, 2011				
Assets:				
Investments	\$ 108.4	\$ 106.9	\$ 1.5	\$
Derivative instruments	*		*	
Liabilities:				
Derivative instruments	(336.1)		(336.1)	

* Amount rounds to zero

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

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

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

(In millions)	June 30, 2012	December 31, 2011
Corporate bonds	\$ 1.5	\$ 1.5
Equity securities	2.7	2.4
Government bonds	108.3	102.5
Other liquid investments	2.0	2.0
Total investments	\$ 114.5	\$ 108.4

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

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

Table of Contents**Items Measured at Fair Value on a Non-recurring Basis**

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

(In millions)	Balance	Level 1	Level 2	Level 3	Total Impairment
June 30, 2012					
Assets:					
Intangible and Tangible Assets	\$ 593.9	\$	\$	\$ 593.9	\$ (134.0)

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

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

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, 2012, for debt with similar terms and maturities, and based on market quotes of our publicly traded debt. As of June 30, 2012, the Company's outstanding debt had a fair value of \$18,946.9 million and a carrying value of \$19,943.6 million.

Note 12 Litigation, Commitments, and Contingent Liabilities**Litigation**

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

Contractual Commitments and Contingent Liabilities**Contractual commitments**

Material changes to our aggregate indebtedness are described in Note 5, Debt. At June 30, 2012, our estimated interest payments for the years ended December 31, 2012 through 2016 are \$882.0 million, \$1,771.3 million, \$1,773.1 million, \$1,396.7 million, and \$1,227.2 million, respectively, and our estimated interest payments thereafter are \$1,782.6 million.

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

Contingent Liability - 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. Although both the Company and the Nevada Department of Taxation filed an appeal of the decision with the Nevada

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Tax Commission (Commission), the case was returned to the ALJ for further factual development. The ALJ s issued a second decision on March 8, 2012, reversing her previous, partially favorable ruling relating to the taxability of complimentary employee meals and affirmed the taxability of complimentary meals but limited the retroactive application of the sales tax to the Company s use tax refund claims. The ALJ decision was affirmed in the Commission hearing on June 25, 2012. We are awaiting the Commission s written decision; however, we intend to petition for judicial review in District Court.

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

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

There have been no material updates for our other contingent liabilities to those set forth in our 2011 10-K.

Note 13 Supplemental Cash Flow Disclosures***Cash Paid for Interest and Taxes***

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

(In millions)	Six Months Ended June 30,	
	2012	2011
Interest expense, net of interest capitalized	\$ 1,058.4	\$ 998.0
Adjustments to reconcile to cash paid for interest:		
Net change in accruals	22.8	8.4
Amortization of deferred finance charges	(52.5)	(37.8)
Net amortization of discounts and premiums	(111.1)	(78.1)
Amortization of accumulated other comprehensive loss	(14.3)	(19.9)
Rollover of PIK interest to principal	(0.5)	(0.6)
Change in fair value of derivative instruments	(17.1)	(10.0)
Cash paid for interest	\$ 885.7	\$ 860.0
Cash payments/(refunds) of income taxes, net	\$ 9.4	\$ (4.7)

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, as further described in Note 7, Stockholders Equity, Non-controlling Interests, and Loss Per Share, a \$33.0 million non-cash impairment on trademark intangibles, as further described in Note 4, Goodwill and Other Intangible Assets, and non-cash impairment charges on tangible assets of \$268.5 million, as further described in Note 3, Property and Equipment, net.

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Note 14 Related Party Transactions

In connection with the Acquisition, the Sponsors entered into a services agreement with Caesars Entertainment relating to the provision of financial and strategic advisory services and consulting services. In addition, we pay a monitoring fee for management services and advice. Fees paid to the Sponsors, which are included in corporate expense in our consolidated condensed statements of comprehensive loss, were \$7.5 million in each of the quarters ended June 30, 2012 and 2011 and \$15.0 million for each of the six-month periods ended June 30, 2012 and 2011. We also reimburse the Sponsors for expenses that they incur related to their management services.

Note 15 Recent Accounting Pronouncements

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

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

Effective January 1, 2012, we adopted the revised guidance for goodwill impairment testing. The new guidance allows an entity to perform a qualitative assessment on goodwill to determine whether it is more likely than not (defined as having a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. In July 2012, the guidance was amended to include assessments for indefinite-lived intangible assets. The Company adopted the amended guidance in the second quarter of 2012 as permitted under the amendment.

Note 16 Subsequent Events

Option Exchange

On July 23, 2012, certain committees of our Board of Directors and the holders of a majority of the issued and outstanding shares of our voting common stock approved a one-time stock option exchange program to permit the Company to cancel certain options to purchase stock of Caesars Entertainment held by some of our employees, service providers and directors (the *Eligible Options*), in exchange for new, or replacement, options (the *Option Exchange*). They also approved an amendment to the Caesars Entertainment Corporation 2012 Performance Incentive Plan (the *2012 Plan*) to increase the maximum number of shares of the Company's common stock with respect to which stock options and stock appreciation rights may be granted during any calendar year to any individual under the 2012 Plan from 3,433,509 shares to 6,500,000 shares.

As a result of the Option Exchange, assuming all eligible options are exchanged, we will incur approximately \$16 million in additional compensation expense attributable to the incremental fair value of the replacement options granted to eligible participants in exchange for surrendered Eligible Options, measured as of the date such awards are granted, of which approximately \$3 million will be recorded in the third quarter of 2012, upon consummation of the exchange. The unamortized compensation expense from the surrendered Eligible Options and any incremental compensation expense associated with the replacement options under the Option Exchange will be recognized over the expected life of the new awards. Including the impact of the incremental expense, assuming all eligible options are exchanged, we will recognize a total non-cash charge of approximately \$63 million over the vesting period of the replacement options of Caesars Entertainment.

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Baltimore, Maryland VLT License

On July 31, 2012, the State of Maryland Video Lottery Facility Location Commission granted a license to operate a video lottery terminal (VLT) facility in downtown Baltimore to CBAC Gaming, LLC (CBAC Gaming), the investment group led by Caesars and Rock.

CBAC Gaming plans to invest more than \$300 million to develop Harrah s Baltimore. In addition to 3,750 VLTs, the property will offer multiple food and beverage amenities, including a fine dining steakhouse and signature casual dining restaurants. The process of obtaining necessary permits and arranging logistics will commence immediately. Construction is expected to begin in the second quarter of 2013, with an opening targeted in the second quarter of 2014.

Note 17 Consolidating Financial Information of Guarantors and Issuers

CEOC is the issuer of certain debt securities that have been guaranteed by Caesars Entertainment and certain subsidiaries of CEOC. The following consolidating schedules present condensed financial information for Caesars Entertainment, the parent and guarantor; CEOC, the subsidiary issuer; guarantor subsidiaries of CEOC; and non-guarantor subsidiaries of Caesars Entertainment and CEOC as of June 30, 2012, and December 31, 2011, and for the quarters and six months ended June 30, 2012 and 2011.

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

Table of Contents**CAESARS ENTERTAINMENT CORPORATION****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****JUNE 30, 2012****CONDENSED CONSOLIDATING BALANCE SHEET****JUNE 30, 2012****(In millions)**

	CEC (Parent)	Subsidiary Issuer	Guarantors	Non- Guarantors	Consolidating/ Eliminating Adjustments	Total
Assets						
Cash and cash equivalents	\$ 8.0	\$ 106.8	\$ 302.2	\$ 568.1	\$	\$ 985.1
Assets held for sale			11.1			11.1
Other current assets	21.7	336.5	725.3	467.2	(577.9)	972.8
Property and equipment, net		195.5	9,156.4	7,324.2		16,676.1
Goodwill			1,526.2	1,834.2		3,360.4
Intangible assets other than goodwill		4.6	3,441.7	797.7		4,244.0
Investments in subsidiaries		12,992.5	777.7	886.2	(14,656.4)	
Restricted cash				346.2		346.2
Intercompany receivables	529.3	1,079.9	585.9	98.6	(2,293.7)	
Assets held for sale			592.3			592.3
Other long-term assets	0.8	309.1	187.2	348.1	5.0	850.2
	\$ 559.8	\$ 15,024.9	\$ 17,306.0	\$ 12,670.5	\$ (17,523.0)	\$ 28,038.2
Liabilities and Stockholders Equity/(Deficit)						
Interest payable	\$	\$ 154.7	\$ 0.6	\$ 28.3	\$	\$ 183.6
Current portion of long-term debt		11.8	19.4	11.6		42.8
Liabilities held for sale			9.6			9.6
Other current liabilities	29.6	352.0	774.3	859.8	(577.9)	1,437.8
Long-term debt		14,664.6	52.8	6,069.6	(886.2)	19,900.8
Deferred credits and other		616.2	140.7	132.9		889.8
Deferred income taxes		462.0	2,542.9	1,961.7		4,966.6
Intercompany payables		573.6	871.7	848.4	(2,293.7)	
	29.6	16,834.9	4,412.0	9,912.3	(3,757.8)	27,431.0
Total Caesars stockholders equity/(deficit)	530.2	(1,810.0)	12,894.0	2,681.2	(13,765.2)	530.2
Non-controlling interests				77.0		77.0
Total equity/(deficit)	530.2	(1,810.0)	12,894.0	2,758.2	(13,765.2)	607.2
	\$ 559.8	\$ 15,024.9	\$ 17,306.0	\$ 12,670.5	\$ (17,523.0)	\$ 28,038.2

Table of Contents**CAESARS ENTERTAINMENT CORPORATION****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****JUNE 30, 2012****CONDENSED CONSOLIDATING BALANCE SHEET****DECEMBER 31, 2011****(In millions)**

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

Table of Contents**CAESARS ENTERTAINMENT CORPORATION****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****JUNE 30, 2012****CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME/(LOSS)****FOR THE QUARTER ENDED JUNE 30, 2012****(In millions)**

	CEC (Parent)	Subsidiary Issuer	Guarantors	Non- Guarantors	Consolidating/ Eliminating Adjustments	Total
Net revenues	\$	\$ 27.0	\$ 1,254.7	\$ 928.9	\$ (44.9)	\$ 2,165.7
Direct operating expenses		11.7	679.7	458.4		1,149.8
Property, general, administrative, and other		3.3	281.1	278.1	(40.1)	522.4
Depreciation and amortization		1.7	110.0	69.2		180.9
Intangible and tangible asset impairment charges			33.0	101.0		134.0
Loss/(income) on interests in subsidiaries	240.0	(9.5)	(7.6)		(222.9)	
Corporate expense	6.5	25.8	7.2	6.6	(4.8)	41.3
Other operating expenses		2.5	33.4	19.6		55.5
Total operating expenses	246.5	35.5	1,136.8	932.9	(267.8)	2,083.9
(Loss)/income from operations	(246.5)	(8.5)	117.9	(4.0)	222.9	81.8
Interest expense, net of interest capitalized		(461.8)	(6.8)	(76.7)	48.8	(496.5)
Gains on early extinguishments of debt				33.7		33.7
Other income, including interest income	3.9	14.3	5.2	31.9	(48.8)	6.5
(Loss)/income from continuing operations before income taxes	(242.6)	(456.0)	116.3	(15.1)	222.9	(374.5)
Benefit/(provision) for income taxes	0.9	168.9	(38.3)	(17.7)	4.8	118.6
Net (loss)/income from continuing operations, net of taxes	(241.7)	(287.1)	78.0	(32.8)	227.7	(255.9)
Discontinued operations						
Income from discontinued operations			22.9			22.9
Provision for income taxes			(4.0)		(4.8)	(8.8)
Income from discontinued operations, net of income taxes			18.9		(4.8)	14.1
Net loss	(241.7)	(287.1)	96.9	(32.8)	222.9	(241.8)
Less: net loss attributable to non-controlling interests				0.1		0.1
Net (loss)/income attributable to Caesars	(241.7)	(287.1)	96.9	(32.7)	222.9	(241.7)
Other comprehensive income/(loss):						
Total other comprehensive (loss)/income, net of income taxes		(13.6)		16.5		2.9
				(0.5)		(0.5)

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Less: foreign currency translation adjustments attributable
to non-controlling interests

Comprehensive (loss)/income attributable to Caesars	\$ (241.7)	\$ (300.7)	\$ 96.9	\$ (16.7)	\$ 222.9	\$ (239.3)
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Table of Contents**CAESARS ENTERTAINMENT CORPORATION****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****JUNE 30, 2012****CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME/(LOSS)****FOR THE QUARTER ENDED JUNE 30, 2011****(In millions)**

	CEC (Parent)	Subsidiary Issuer	Guarantors	Non- Guarantors	Consolidating/ Eliminating Adjustments	Total
Net revenues	\$	\$ 34.6	\$ 1,292.3	\$ 889.5	\$ (54.7)	\$ 2,161.7
Direct operating expenses		12.9	679.9	445.8		1,138.6
Property, general, administrative, and other		13.2	295.4	231.9	(34.2)	506.3
Depreciation and amortization		1.7	105.6	62.2		169.5
Loss/(income) on interests in subsidiaries	153.8	(122.6)	(15.6)		(15.6)	
Corporate expense	5.5	31.7	4.6	22.9	(20.5)	44.2
Other operating expenses		16.4	32.7	22.4		71.5
Total operating expenses	159.3	(46.7)	1,102.6	785.2	(70.3)	1,930.1
(Loss)/income from operations	(159.3)	81.3	189.7	104.3	15.6	231.6
Interest expense, net of interest capitalized		(476.5)	(8.5)	(85.7)	46.1	(524.6)
Gains on early extinguishments of debt				14.7		14.7
Other income, including interest income	2.9	12.0	4.7	31.5	(46.1)	5.0
(Loss)/income from continuing operations before income taxes	(156.4)	(383.2)	185.9	64.8	15.6	(273.3)
Benefit/(provision) for income taxes	0.9	184.3	(68.3)	(13.6)	4.4	107.7
Net (loss)/income from continuing operations, net of taxes	(155.5)	(198.9)	117.6	51.2	20.0	(165.6)
Discontinued operations						
Income from discontinued operations			20.5			20.5
Provision for income taxes			(3.6)		(4.4)	(8.0)
Income from discontinued operations, net of income taxes			16.9		(4.4)	12.5
Net loss	(155.5)	(198.9)	134.5	51.2	15.6	(153.1)
Less: net income attributable to non-controlling interests				(2.4)		(2.4)
Net (loss)/income attributable to Caesars	(155.5)	(198.9)	134.5	48.8	15.6	(155.5)
Other comprehensive income/(loss):						
Total other comprehensive (loss)/income, net of income taxes		(23.4)		10.8		(12.6)
Less: foreign currency translation adjustments attributable to non-controlling interests				(0.2)		(0.2)

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Comprehensive (loss)/income attributable to Caesars	\$ (155.5)	\$ (222.3)	\$ 134.5	\$ 59.4	\$ 15.6	\$ (168.3)
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Table of Contents**CAESARS ENTERTAINMENT CORPORATION****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****JUNE 30, 2012****CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME/(LOSS)****FOR THE SIX MONTHS ENDED JUNE 30, 2012****(In millions)**

	CEC (Parent)	Subsidiary Issuer	Guarantors	Non- Guarantors	Consolidating/ Eliminating Adjustments	Total
Net revenues	\$	\$ 53.6	\$ 2,557.8	\$ 1,861.1	\$ (98.4)	\$ 4,374.1
Direct operating expenses		21.6	1,372.3	919.1		2,313.0
Property, general, administrative, and other		13.0	573.9	529.1	(81.3)	1,034.7
Depreciation and amortization		3.4	218.4	142.8		364.6
Intangible and tangible asset impairment charges			200.5	101.0		301.5
Loss/(income) on interests in subsidiaries	520.3	(5.0)	4.9		(520.2)	
Corporate expense	12.1	63.5	13.9	21.1	(17.1)	93.5
Other operating expenses		5.6	66.1	56.8		128.5
Total operating expenses	532.4	102.1	2,450.0	1,769.9	(618.6)	4,235.8
(Loss)/income from operations	(532.4)	(48.5)	107.8	91.2	520.2	138.3
Interest expense, net of interest capitalized		(970.9)	(14.5)	(171.9)	98.8	(1,058.5)
Gains on early extinguishments of debt				79.5		79.5
Other income, including interest income	9.0	29.2	10.8	64.5	(98.8)	14.7
(Loss)/income from continuing operations before income taxes	(523.4)	(990.2)	104.1	63.3	520.2	(826.0)
Benefit/(provision) for income taxes	1.1	354.1	(39.4)	(47.2)	8.8	277.4
Net (loss)/income from continuing operations, net of taxes	(522.3)	(636.1)	64.7	16.1	529.0	(548.6)
Discontinued operations						
Income from discontinued operations			41.9			41.9
Provision for income taxes			(7.4)		(8.8)	(16.2)
Income from discontinued operations, net of income taxes			34.5		(8.8)	25.7
Net loss	(522.3)	(636.1)	99.2	16.1	520.2	(522.9)
Less: net loss attributable to non-controlling interests				0.6		0.6
Net (loss)/income attributable to Caesars	(522.3)	(636.1)	99.2	16.7	520.2	(522.3)
Other comprehensive income/(loss):						
Total other comprehensive (loss)/income, net of income taxes		(25.8)		38.0	(1.5)	12.2
						(1.5)

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Less: foreign currency translation adjustments attributable
to non-controlling interests

Comprehensive (loss)/income attributable to Caesars	\$ (522.3)	\$ (661.9)	\$ 99.2	\$ 53.2	\$ 520.2	\$ (511.6)
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Table of Contents**CAESARS ENTERTAINMENT CORPORATION****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****JUNE 30, 2012****CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME/(LOSS)****FOR THE SIX MONTHS ENDED JUNE 30, 2011****(In millions)**

	CEC (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Net revenues	\$	\$ 63.4	\$ 2,568.1	\$ 1,755.9	\$ (109.6)	\$ 4,277.8
Direct operating expenses		25.0	1,358.3	888.9		2,272.2
Property, general, administrative, and other		27.5	611.9	457.3	(69.2)	1,027.5
Depreciation and amortization		3.4	214.0	124.3		341.7
Loss/(income) on interests in subsidiaries	300.5	(228.7)	(26.1)		(45.7)	
Corporate expense	10.2	55.2	8.3	45.3	(40.4)	78.6
Other operating expenses	0.3	28.8	60.8	41.7		131.6
Total operating expenses	311.0	(88.8)	2,227.2	1,557.5	(155.3)	3,851.6
(Loss)/income from operations	(311.0)	152.2	340.9	198.4	45.7	426.2
Interest expense, net of interest capitalized		(915.5)	(18.1)	(166.9)	102.5	(998.0)
Gains on early extinguishments of debt				47.9		47.9
Other income, including interest income	6.8	23.7	9.5	71.0	(102.5)	8.5
(Loss)/income from continuing operations before income taxes	(304.2)	(739.6)	332.3	150.4	45.7	(515.4)
Benefit/(provision) for income taxes	1.3	347.9	(125.0)	(39.1)	8.4	193.5

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