CAESARS ENTERTAINMENT Corp
Form 10-Q
August 11, 2014

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, 2014
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, 2014
Common stock, $0.01 par value	144,240,596

CAESARS ENTERTAINMENT CORPORATION
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We have proprietary rights to a number of trademarks used in this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014 (this "Form 10-Q"), that are important to our business, including, without limitation, Caesars, Caesars Entertainment, Caesars Palace, Harrah's, Total Rewards, Horseshoe, Paris Las Vegas, Flamingo, and Bally's. In addition, Caesars Interactive Entertainment, Inc., which is a majority owned subsidiary of Caesars Growth Partners, LLC, has proprietary rights to the Slotomania, Bingo Blitz and World Series of Poker ("WSOP") trademarks. We have omitted the registered trademark (®) and trademark (™) symbols for such trademarks named in this Form 10-Q.
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PART I—FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

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

	June 30, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents ($495.7 and $976.9 attributable to our VIE)	$3,429.6	$2,771.2
Restricted cash ($25.2 and $28.8 attributable to our VIE)	93.0	87.5
Receivables, net ($94.1 and $54.8 attributable to our VIEs)	644.3	619.9
Deferred income taxes ($4.0 and $7.0 attributable to our VIE)	5.4	8.7
Prepayments and other current assets ($21.1 and $15.6 attributable to our VIE)	217.7	237.4
Inventories	41.5	45.6
Total current assets	4,431.5	3,770.3
Property and equipment, net ($2,444.9 and $516.0 attributable to our VIE)	13,457.4	13,237.9
Goodwill ($447.7 and $112.8 attributable to our VIE)	3,062.1	3,063.3
Intangible assets other than goodwill ($309.6 and $180.0 attributable to our VIE)	3,414.5	3,487.7
Investments in and advances to non-consolidated affiliates	175.5	176.8
Restricted cash ($90.3 and $231.6 attributable to our VIE)	1,847.1	336.8
Deferred income taxes ($39.7 and $0.0 attributable to our VIE)	43.7	—
Deferred charges and other ($61.5 and $11.0 attributable to our VIE)	630.9	604.2
Assets held for sale	6.7	11.9
	$27,069.4	$24,688.9
Liabilities and Stockholders' Deficit		
Current liabilities		
Accounts payable ($165.4 and $54.8 attributable to our VIE)	$459.7	$442.7
Accrued expenses and other current liabilities ($198.3 and $126.1 attributable to our VIE)	1,411.8	1,212.3
Interest payable ($20.5 and $5.5 attributable to our VIE)	379.8	389.5
Deferred income taxes ($0.3 and $0.0 attributable to our VIE)	315.3	289.2
Current portion of long-term debt ($17.7 and $47.8 attributable to our VIE)	148.3	197.1
Total current liabilities	2,714.9	2,530.8
Long-term debt ($2,292.7 and $673.9 attributable to our VIE)	24,209.5	20,918.4
Deferred income taxes ($5.6 and $3.8 attributable to our VIE)	2,278.9	2,476.0
Deferred credits and other ($82.9 and $67.3 attributable to our VIE)	444.5	667.5
	29,647.8	26,592.7
Commitments and contingencies (Note 14)		
Stockholders' deficit		
Common stock, voting: par value $0.01; 144.2 and 139.0 shares	1.5	1.4
Treasury stock: 2.2 and 2.2 shares	(18.9)	(16.3)
Additional paid-in capital	8,142.2	7,230.5
Accumulated deficit	(11,173.6)	(10,320.7)
Accumulated other comprehensive loss	(16.0)	(16.9)
Total Caesars stockholders' deficit	(3,064.8)	(3,122.0)
Noncontrolling interests	486.4	1,218.2

Total deficit	(2,578.4)	(1,903.8)
	$27,069.4	$24,688.9

See accompanying Notes to Consolidated Condensed Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues				
Casino	$1,378.3	$1,404.3	$2,715.6	$2,867.9
Food and beverage	387.0	381.0	767.5	755.9
Rooms	315.0	317.3	629.2	601.3
Management fees	14.7	17.2	28.4	27.8
Other	305.3	212.4	559.0	414.0
Reimbursed management costs	71.8	70.5	134.2	130.2
Less: casino promotional allowances	(286.6)	(281.4)	(579.2)	(569.1)
Net revenues	2,185.5	2,121.3	4,254.7	4,228.0
Operating expenses				
Direct				
Casino	812.4	796.9	1,620.4	1,612.9
Food and beverage	177.9	167.0	337.7	330.1
Rooms	81.6	81.1	163.2	153.6
Property, general, administrative, and other	565.1	509.8	1,108.9	1,018.3
Reimbursable management costs	71.8	70.5	134.2	130.2
Depreciation and amortization	125.0	137.5	245.6	294.7
Write-downs, reserves, and project opening costs, net of recoveries	56.7	23.4	80.7	44.1
Impairment of intangible and tangible assets	32.9	104.7	65.8	124.7
Loss on interests in non-consolidated affiliates	6.6	13.8	2.8	16.4
Corporate expense	68.2	41.3	118.6	77.3
Acquisition and integration costs	47.2	2.2	62.1	66.4
Amortization of intangible assets	33.8	40.7	66.4	81.7
Total operating expenses	2,079.2	1,988.9	4,006.4	3,950.4
Income from operations	106.3	132.4	248.3	277.6
Interest expense	(653.7)	(540.0)	(1,245.9)	(1,114.7)
Gain/(loss) on early extinguishment of debt	(28.0)	41.3	(28.7)	4.6
Gain/(loss) on partial sale of subsidiary	(3.1)	44.1	(3.1)	44.1
Other income, including interest income	3.8	4.8	4.2	8.3
Loss from continuing operations, before income taxes	(574.7)	(317.4)	(1,025.2)	(780.1)
Income tax benefit	168.2	113.2	322.7	402.6
Loss from continuing operations, net of income taxes	(406.5)	(204.2)	(702.5)	(377.5)
Discontinued operations				
Loss from discontinued operations	(26.4)	(7.5)	(113.1)	(54.9)
Income tax benefit	—	2.5	—	6.2
Loss from discontinued operations, net of income taxes	(26.4)	(5.0)	(113.1)	(48.7)
Net loss	(432.9)	(209.2)	(815.6)	(426.2)
Less: net income attributable to noncontrolling interests	(33.5)	(3.0)	(37.3)	(3.9)
Net loss attributable to Caesars	$(466.4)	$(212.2)	$(852.9)	$(430.1)
Loss per share - basic and diluted				
Loss per share from continuing operations	$(3.06)	$(1.65)	$(5.26)	$(3.04)
Loss per share from discontinued operations	(0.18)	(0.04)	(0.80)	(0.39)
Net loss per share	$(3.24)	$(1.69)	$(6.06)	$(3.43)

Weighted-average common shares outstanding - basic and diluted	144.1	125.5	140.7	125.4

See accompanying Notes to Consolidated Condensed Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net loss	$(432.9)	$(209.2)	$(815.6)	$(426.2)
Other comprehensive income/(loss):				
Benefit plan adjustments	—	0.2	0.5	0.4
Foreign currency translation adjustments	(1.0)	(5.6)	(1.6)	(21.3)
Reclassification of loss on derivative instruments from other comprehensive loss to interest expense	—	—	—	3.9
Unrealized gain/(loss) on available-for-sale investments	2.1	(4.8)	(2.2)	(4.7)
Total other comprehensive loss, before income taxes	1.1	(10.2)	(3.3)	(21.7)
Income tax benefit/(provision) related to items of other comprehensive loss	—	0.3	(0.1)	(1.2)
Total other comprehensive loss, net of income taxes	1.1	(9.9)	(3.4)	(22.9)
Total comprehensive loss	(431.8)	(219.1)	(819.0)	(449.1)
Less: amounts attributable to noncontrolling interests:				
Net income	(33.5)	(3.0)	(37.3)	(3.9)
Foreign currency translation adjustments	(0.2)	0.1	—	0.1
Total amounts attributable to noncontrolling interests	(33.7)	(2.9)	(37.3)	(3.8)
Comprehensive loss attributable to Caesars	$(465.5)	$(222.0)	$(856.3)	$(452.9)

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 as of December 31, 2012	$1.3	$(16.3)	$6,954.4	$(7,372.5)	$21.4	$(411.7)	$80.1	$(331.6)
Net income/(loss)	—	—	—	(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 plan	*	—	0.3	—	—	0.3	—	0.3
Increase in treasury shares	—	*	(0.1)	—	—	(0.1)	—	(0.1)
Decrease in noncontrolling interests including distributions and write-downs	—	—	—	—	—	—	(7.5)	(7.5)
Other comprehensive loss, net of tax	—	—	—	—	(22.8)	(22.8)	(0.1)	(22.9)
Purchase of additional interests in subsidiary	—	—	(9.6)	—	—	(9.6)	—	(9.6)
Contributions and contractual obligations from noncontrolling interests	—	—	—	—	—	—	35.3	35.3
Balance as of June 30, 2013	$1.3	$(16.3)	$6,969.2	$(7,802.6)	$(1.4)	$(849.8)	$111.7	$(738.1)
Balance as of December 31, 2013	$1.4	$(16.3)	$7,230.5	$(10,320.7)	$(16.9)	$(3,122.0)	$1,218.2	$(1,903.8)
Net income/(loss)	—	—	—	(852.9)	—	(852.9)	37.3	(815.6)
Share-based compensation	*	(2.6)	17.7	—	—	15.1	—	15.1
Common stock issuances	0.1	—	135.7	—	—	135.8	—	135.8
Issuances of common stock under	—	—	1.1	—	—	1.1	—	1.1

stock incentive plan								
Repurchase of subsidiary stock and noncontrolling interest transactions	—	—	3.4	—	—	3.4	(25.0)	(21.6)
Other comprehensive loss, net of tax	—	—	—	—	(3.4)	(3.4)	—	(3.4)
Allocation of noncontrolling interest resulting from sales and conveyances of subsidiary stock	—	—	753.8	—	4.3	758.1	(744.1)	14.0
Balance as of June 30, 2014	$1.5	$(18.9)	$8,142.2	$(11,173.6)	$(16.0)	$(3,064.8)	$486.4	$(2,578.4)

* 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,	
	2014	2013
Cash flows from operating activities		
Net loss	$(815.6)	$(426.2)
Adjustments to reconcile net loss to cash flows (used in)/provided by operating activities:		
Loss from discontinued operations	113.1	48.7
Loss on early extinguishments of debt	28.7	(4.6)
Depreciation and amortization	334.3	383.4
Amortization of deferred finance costs and debt discount/premium	183.4	170.0
Reclassification from, and amortization of, accumulated other comprehensive loss	0.3	4.3
Non-cash write-downs and reserves, net of recoveries	48.1	17.3
Gain on partial sale of subsidiary	3.1	(44.1)
Non-cash acquisition and integration costs	39.0	48.9
Impairment of intangible and tangible assets	65.8	124.7
(Income)/loss on interests in non-consolidated affiliates	2.8	16.4
Share-based compensation expense	47.2	9.7
Deferred income taxes	(211.3)	(408.9)
Change in deferred charges and other	(8.3)	(0.8)
Change in deferred credits and other	(313.6)	(75.6)
Change in current assets and liabilities:		
Accounts receivable	(17.8)	74.5
Prepayments and other current assets	11.7	(32.4)
Accounts payable	(37.4)	(28.4)
Interest payable	(9.1)	51.8
Accrued expenses	125.7	25.6
Other	23.1	(9.0)
Cash flows from operating activities	(386.8)	(54.7)
Cash flows from investing activities		
Acquisitions of property and equipment, net of change in related payables	(535.6)	(320.3)
Change in restricted cash	(1,515.8)	863.8
Proceeds received from sale of assets	27.9	—
Proceeds from partial sale of subsidiary, net of cash deconsolidated	—	50.4
Payments to acquire businesses, net of transaction costs and cash acquired	(22.5)	—
Investments in/advances to non-consolidated affiliates and other	(2.1)	(27.8)
Purchases of investment securities	(12.7)	(1.7)
Proceeds from the sale and maturity of investment securities	10.2	16.1
Other	6.8	(7.0)
Cash flows from investing activities	(2,043.8)	573.5

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

	Six Months Ended June 30, 2014		2013	
Cash flows from financing activities				
Proceeds from the issuance of long-term debt	3,575.5		1,589.5	
Debt issuance and extension costs and fees	(47.2	)	(70.6	)
Borrowings under lending agreements	55.0		—	
Repayments under lending agreements	(20.0	)	—	
Cash paid for early extinguishments of debt	(494.9	)	(2,010.3	)
Scheduled debt and capital lease payments	(89.0	)	(13.9	)
Purchase of additional interests in subsidiaries	(4.0	)	—	
Contributions from noncontrolling interest owners	—		35.3	
Issuance of common stock, net of fees	136.9		12.6	
Proceeds from sales of noncontrolling interests	17.9		—	
Distributions to noncontrolling interest owners	(33.2	)	(5.2	)
Other	(0.4	)	(1.0	)
Cash flows from financing activities	3,096.6		(463.6	)
Cash flows from discontinued operations				
Cash flows from operating activities	(6.5	)	(1.9	)
Cash flows from investing activities	(1.1	)	—	
Cash flows from financing activities	—		—	
Net cash from discontinued operations	(7.6	)	(1.9	)
Net increase/(decrease) in cash and cash equivalents	658.4		53.3	
Change in cash classified as assets held for sale	—		(0.1	)
Cash and cash equivalents, beginning of period	2,771.2		1,757.5	
Cash and cash equivalents, end of period	$3,429.6		$1,810.7	
Supplemental Cash Flow Information:				
Cash paid for interest	$1,150.2		$947.1	
Cash paid for income taxes	27.5		16.4	
Non-cash investing and financing activities:				
Change in accrued capital expenditures	45.0		(2.7	)

See accompanying Notes to Consolidated Condensed Financial Statements.

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

In these notes, the words "Company," "Caesars,""Caesars Entertainment," "CEC," "we," "our," and "us" refer to Caesars Entertainment Corporation, a Delaware corporation, and its consolidated entities, unless otherwise stated or the context requires otherwise.

Note 1 — Organization and Basis of Presentation

Organization

We conduct business through our majority owned subsidiary, Caesars Entertainment Operating Company, Inc. ("CEOC"), and our wholly owned subsidiary, Caesars Entertainment Resort Properties ("CERP"), and their respective subsidiaries. We also consolidate Caesars Growth Partners, LLC ("CGP LLC"), which is a variable interest entity ("VIE") for which we have determined that we are the primary beneficiary (see Note 4, "Caesars Growth Partners"). As of June 30, 2014, we owned and operated or managed, through various subsidiaries and CGP LLC, 50 casinos in 13 U.S. states and 5 countries. Of the 50 casinos, 38 are in the United States and primarily consist of land-based and riverboat or dockside casinos. Our 12 international casinos are all land-based casinos, most of which are located in England.

Caesars Interactive Entertainment, Inc. ("CIE"), a majority owned subsidiary of CGP LLC, operates an online gaming business providing for social games on Facebook and other social media websites and mobile application platforms, such as Slotomania, and certain real money games in Nevada, New Jersey, and the United Kingdom; and "play for fun" offerings in other jurisdictions. CIE also owns the WSOP tournaments and brand, and licenses trademarks for a variety of products and businesses related to this brand.

We view each casino property as an operating segment and aggregate such casino properties into one reportable segment.

Liquidity Considerations

We are a highly leveraged company primarily resulting from the leverage of our majority owned subsidiary, CEOC, which had $19,624.4 million in face value of debt outstanding as of June 30, 2014 out of the total $26,703.1 million face value of consolidated outstanding indebtedness. As a result, a significant amount of our liquidity needs are for debt service, including significant interest payments. Our outstanding indebtedness and our current debt service is more fully described in Note 8, "Debt."

As a result of a general decline in gaming activity since 2007, with Atlantic City properties and our regional markets being more heavily impacted by this trend, we have experienced substantial net losses in recent years, resulting in a net stockholders' deficit of $3,064.8 million as of June 30, 2014. We expect to experience operating and net losses for the remainder of 2014 and the foreseeable future.

During the quarter ended June 30, 2014, and in July 2014, we closed a number of transactions that are expected to have a material impact on CEOC's liquidity, debt guarantees, debt covenants and compliance, and debt maturities. These transactions include the following:

- Completion of the CEOC-CGP LLC Property Transaction in which CEOC sold to CGP LLC the following properties: The Cromwell, The Quad Resort & Casino, Bally's Las Vegas, and Harrah's New Orleans and 50% of the ongoing management fees and termination fees payable under the relevant property management agreements for an aggregate purchase price of $2,000.0 million, minus assumed debt and other customary closing adjustments (see Note 5, "Property Transaction between CEOC and CGP LLC and Related Financing");
- Sale of CEOC common stock, which resulted in the automatic release of CEC's parent guarantee of CEOC's outstanding debt in accordance with the terms of the underlying indentures (see Note 9, "Stockholders' Equity and Loss Per Share");
- Completion of the offering of $1,750.0 million of Incremental Term Loans due January 2018 (see Note 8, "Debt");
- Transactions under which we reacquired and retired the following (see Note 8, "Debt"):

$147.4 million of CEOC's scheduled 2015 debt maturities consisting of $44.4 million of 5.625% Notes and $103.0 million of 10.00% Notes via tender offers; and

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

Completion of the previously announced purchase of $740.5 million of 5.625% Notes and $83.2 million of 10.00% Notes due 2015 under note purchase agreements with a significant third-party holder and a subsidiary of CGP LLC; In total, we reacquired $784.9 million of 5.625% Notes and $186.2 million of 10.00% Notes due 2015.

- Repayment of approximately $794.6 million in aggregate principal amount of term loans in addition to the debt reacquired under the transactions above, approximately $29.0 million of which was due in 2015 (see Note 8, "Debt"); and
- Completed certain bank transactions that modified the then-existing covenants and other key terms included in the CEOC Credit Facilities (as defined in Note 18, "Subsequent Events") ("Bank Amendments"). The Bank Amendments included the following (See Note 8, "Debt"):

modification of the financial maintenance covenant to increase CEOC's Senior Secured Leverage Ratio ("SSLR," which is defined and described in Note 8, "Debt") from a ratio of 4.75 to 1.0 to a ratio of 7.25 to 1.0;
exclusion of incremental term loans incurred after March 31, 2014 (including the $1,750.0 million of Incremental Term Loans (as defined in Note 8, "Debt")) from the definition of SSLR for purposes of such covenant, which increases the amount of senior debt excluded for CEOC SSLR covenant purposes from $3,700.0 million to $5,450.0 million;
modification of CEC’s guarantee under the senior secured credit facilities such that CEC’s guarantee will be limited to a guarantee of collection with respect to obligations owed to the lenders who consent to the Bank Amendment; and
modification of certain other provisions of CEOC's senior secured credit facilities.

For more information on the above-referenced transactions and the impact that these transactions have on our liquidity and capital structure, see Note 5, "Property Transaction between CEOC and CGP LLC and Related Financing," and Note 8, "Debt."

On a consolidated basis, cash and cash equivalents, excluding restricted cash, totaled $3,429.6 million as of June 30, 2014 compared with $2,771.2 million as of December 31, 2013. Cash and cash equivalents as of June 30, 2014, includes $495.7 million held by our consolidated VIE, CGP LLC, which is not available for our use to fund operations or satisfy our obligations unrelated to CGP LLC. Restricted cash totaled $1,940.1 million as of June 30, 2014, consisting primarily of $1,755.9 million of cash held in escrow related to the Incremental Term Loans that were funded in June 2014 (Note 8, "Debt"). These funds are considered long-term restricted cash at June 30, 2014; however as a result of the closing of the Incremental Term Loan transaction on July 25, 2014, the restrictions were released. The related debt is classified as long-term at June 30, 2014.

From time to time, depending upon market, pricing, and other conditions, and on our cash balances and liquidity, we may seek to acquire or exchange notes or other indebtedness of the Company’s subsidiaries through open market purchases, privately negotiated transactions, tender offers, redemption, exchange offers or otherwise, upon such terms and at such prices as we may determine (or as may be provided for in the indentures governing the notes), for cash or other consideration, including our common stock. In addition, we have considered and will continue to evaluate potential transactions to reduce net debt, such as debt for debt exchanges, debt for equity exchanges and other transactions.

We experienced negative operating cash flows of $386.8 million for the six months ended June 30, 2014, and we expect to experience negative operating cash flows for the remainder of 2014 and the foreseeable future, and do not expect that our cash flow from operations will be sufficient to repay our indebtedness in the long-term and we will ultimately seek a refinancing, amendment, or restructuring of our debt, or if necessary, pursue additional debt or equity offerings.

Our ability to refinance or restructure our debt, or to issue additional debt or equity, will depend upon, among other things:

- The condition of the capital markets at the time, which is beyond our control,
- Our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond our control; and
-

Our continued compliance with the terms and covenants in our credit facilities, indentures and loan agreements that govern our debt.

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

Under CEOC's Credit Facilities, after giving effect to the Bank Amendment, CEOC is required to satisfy and maintain an SSLR of no more than 7.25 to 1.0, which is the ratio of CEOC's senior first priority secured debt to LTM Adjusted EBITDA - Pro Forma - CEOC Restricted. This ratio excluded up to $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. This ratio also reduces the amount of senior first priority secured debt by the amount of unrestricted CEOC cash on hand, which was $2,146.6 million as of June 30, 2014. As of June 30, 2014, the CEOC SSLR was 4.61 to 1.0. Subsequent to the Bank Amendment described above, the ratio also excludes the $1,750.0 million of Incremental Term Loans.

We were in compliance with the terms and conditions of all of our loan agreements, including CEOC's Credit Facilities and indentures as of June 30, 2014. 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. See "Bondholder Disputes" in Note 14, "Litigation, Contractual Commitments and Contingent Liabilities."

Based upon the effects of the Bank Amendment combined with our current operating forecast we have a significant amount of room available under our SSLR covenant. We believe that we will have sufficient liquidity to fund our operations, that we will meet our debt service obligations, and that we will continue to be in compliance with the CEOC SSLR during the foreseeable future.

See Note 8, "Debt," for details on our debt outstanding and restrictive covenants related to certain of our borrowings. This detail includes, among other things, a table presenting details of our individual borrowings outstanding as of June 30, 2014 and December 31, 2013, as well as discussion of recent changes in our debt outstanding, and any changes in the terms of existing debt subsequent to December 31, 2013.

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 2014 fiscal year.

The financial information for the three and six months ended June 30, 2013 reflects the results of operations and cash flows of the Golden Nugget and Harrah's Tunica casinos as discontinued operations. See Note 3, "Dispositions, Divestitures, and Other Property Matters."

This Form 10-Q should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2013, ("2013 10-K").

Note 2 — Recently Issued Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (FASB) issued authoritative guidance amending existing requirements for reporting discontinued operations. Under the new guidance, discontinued operations reporting will be limited to disposal transactions that represent strategic shifts having a major effect on operations and financial results. The amended guidance also enhances disclosures and requires assets and liabilities of a discontinued operation to be classified as such for all periods presented in the financial statements. Public entities will apply the amended guidance prospectively to all disposals occurring within annual periods beginning on or after December 15, 2014, and interim periods within those years. We will adopt this standard effective January 1, 2015. Due to the change in requirements for reporting discontinued operations described above, presentation and disclosures of future transactions after adoption may be different than under current standards.

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In May 2014, the FASB issued authoritative guidance amending the FASB Accounting Standards Codification and creating a new Topic 606, Revenue from Contracts with Customers. The new guidance is expected to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP applicable to revenue transactions. This guidance provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Existing industry guidance, including revenue recognition guidance specific to the gaming industry will be eliminated. In addition, interim and annual disclosures will be substantially revised. The amendments in this guidance are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. We will adopt this standard effective January 1, 2017. We are currently assessing the impact the adoption of this standard will have on our disclosures and results of operations.

Note 3 — Dispositions, Divestitures, and Other Property Matters

Dispositions and Divestitures

Harrah's Tunica, Mississippi

Harrah’s Tunica casino closed effective June 2, 2014. As a result, we recorded intangible and tangible asset impairment charges totaling $68.0 million during the first quarter of 2014. In the second quarter of 2014, we recorded a charge for approximately $10.9 million related to accrued exit costs associated with the closure of this casino. We have presented the operations of the Harrah's Tunica casino as discontinued operations in the Consolidated Condensed Statements of Operations.

Showboat Atlantic City

In June 2014, we announced the closure of Showboat Atlantic City, effective August 31, 2014. As a result, we recorded a $4.8 million charge in the second quarter of 2014 for accrued severance costs. In periods subsequent to the closure, we will present the operations of Showboat Atlantic City as discontinued operations in the Consolidated Condensed Statements of Operations.

Golden Nugget

In February 2014, we permanently closed the Golden Nugget casino in London. As a result, in the first quarter of 2014, we recorded charges of $1.7 million related to the impairment of intangible and tangible assets and $13.1 million related to accrued exit costs. We have presented the operations of the Golden Nugget casino as discontinued operations in the Consolidated Condensed Statements of Operations.

Claridge Hotel Tower

In October 2013, we entered into an agreement to sell the Claridge Hotel Tower, which was part of the Bally's Atlantic City asset group, for $12.5 million, less customary closing adjustments. We received these proceeds in February 2014 upon the transaction closing. The Claridge Hotel Tower assets of $11.9 million were classified as assets held for sale as of December 31, 2013.

Other Property Matters

Iowa Dog Racing Legislation

As a result of new legislation passed in May 2014 in the State of Iowa, we are required to cease our greyhound racing activities at our Horseshoe Council Bluffs casino in Council Bluffs, Iowa, effective December 31, 2015. The new legislation ("Iowa Dog Racing Legislation") requires that we pay a total of $65.0 million to the Iowa Racing and Gaming Commission over a seven-year period, beginning in January 2016. These exit costs were recorded at the present value of the future liability and will be accreted over the term of the payments. The liability related to the exit costs was $40.3 million as of June 30, 2014.

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Discontinued Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2014	2013	2014	2013
Net revenues				
Harrah's Tunica	$14.3	$33.8	$46.4	$68.0
Golden Nugget	—	3.1	1.3	5.2
Alea Leeds	—	—	—	0.7
Macau	—	0.8	—	1.8
Harrah's St. Louis	—	—	—	—
Total net revenues	$14.3	$37.7	$47.7	$75.7
Pre-tax income/(loss) from operations				
Harrah's Tunica	$(25.6)	$(7.1)	$(96.4)	$(9.6)
Golden Nugget	(0.3)	(0.1)	(15.7)	(1.1)
Alea Leeds	(0.5)	(0.5)	(1.0)	(23.0)
Macau	—	0.2	—	(20.5)
Harrah's St. Louis	—	—	—	(0.7)
Total pre-tax income/(loss) from discontinued operations	$(26.4)	$(7.5)	$(113.1)	$(54.9)
Income/(loss), net of income taxes				
Harrah's Tunica	$(25.6)	$(4.6)	$(96.4)	$(6.2)
Golden Nugget	(0.3)	(0.1)	(15.7)	(1.1)
Alea Leeds	(0.5)	(0.5)	(1.0)	(23.0)
Macau	—	0.2	—	(18.0)
Harrah's St. Louis	—	—	—	(0.4)
Total income/(loss) from discontinued operations, net of income taxes	$(26.4)	$(5.0)	$(113.1)	$(48.7)

Note 4 — Caesars Growth Partners

Consolidation as a Variable Interest Entity

CEC owns non-voting shares of CGP LLC and is also party to management services agreements between CGP LLC and CEOC that constitute variable interests in CGP LLC. Because the equity holders in CGP LLC receive returns disproportionate to their voting interests and substantially all the activities of CGP LLC are related to Caesars, CGP LLC has been determined to be a variable interest entity.

Because substantially all the activities of CGP LLC are related to Caesars and due to the factors set forth below, we have concluded that we are required to consolidate CGP LLC under GAAP. We have reached this conclusion based upon the weighting of a number of items, including the following: (i) the close association that CGP LLC has with Caesars, including the fact that all of the assets and businesses owned by CGP LLC were acquired from Caesars; (ii) Caesars through CEOC, has ongoing asset and management services agreements with each of the properties owned by CGP LLC; and (iii) Caesars has the obligation to absorb losses and the right to receive residual returns that could potentially be significant to CGP LLC. CGP LLC generated net revenues of $352.5 million and $578.8 million for the three and six months ended June 30, 2014, respectively. Net loss attributable to Caesars related to CGP LLC was $114.5 million and $113.8 million for the three and six months ended June 30, 2014, respectively.

Contingently Issuable Non-Voting Membership Units

CGP LLC is obligated to issue additional non-voting membership units to Caesars Entertainment to the extent that the earnings from CIE's social and mobile games business exceed a specified threshold amount in 2015. The number of units to be received is capped at a value of $225.0 million divided by the value of the non-voting units at the date of the CGP LLC transaction.

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CGP LLC maintains a liability equal to the fair value of the additional non-voting membership units contingently issuable to Caesars Entertainment during 2016 as described above. The contingently issuable membership units' fair value is based upon a multiple of EBITDA for the calendar year 2015 in excess of a specified minimum threshold and includes a maximum payout threshold. The fair value of the contingently issuable non-voting membership units was $355.0 million on the CGP LLC balance sheet as of June 30, 2014 and $306.5 million as of December 31, 2013. This liability is eliminated in our consolidation of CGP LLC.

Note 5 — Property Transaction between CEOC and CGP LLC and Related Financing

Property Transaction between CEOC and CGP LLC

In May 2014, as disclosed in greater detail in the Company's Current Reports on Form 8-K filed on May 6, 2014 and May 21, 2014 with the Securities and Exchange Commission, CEOC sold to CGP LLC (hereafter collectively referred to as the "CEOC-CGP LLC Property Transaction"):

(i) its subsidiaries that own the assets comprising The Cromwell, The Quad Resort & Casino, Bally’s Las Vegas, and Harrah's New Orleans (collectively the "Properties");
(ii) 50% of the ongoing management fees and any termination fees payable under property management agreements to be entered between a CEOC subsidiary and the owners of each of the Properties; and
(iii) certain intellectual property that is specific to each of the Properties.

In May 2014, CEOC completed the CEOC-CGP LLC Property Transaction for an aggregate purchase price of $2,000.0 million, minus assumed debt and other customary closing adjustments. The debt assumed consisted of the $185.0 million Bill's Credit Facility described in Note 8, "Debt." Consistent with the 2013 sale of Planet Hollywood Las Vegas, this transaction was accounted for as a reorganization of entities under common control, with CEOC results being reflective of the sold properties through the date of the sale and CGP LLC reflecting results of the properties subsequent to the sale.

Under the terms of the agreements governing the CEOC-CGP LLC Property Transaction, each property is managed by CEOC. In addition, each property licenses enterprise-wide intellectual property from Caesars Licensing Company, LLC. CEOC receives ongoing management fees during the term of the related property management agreement consisting of a (i) base management fee of 2% of monthly net operating revenues and (ii) an incentive management fee in an amount equal to 5% of EBITDA for each operating year.

In addition to the above, the agreements governing the CEOC-CGP LLC Property Transaction also provide that CEC and CEOC will indemnify CGP LLC for certain obligations, including:

(i) the failure of CEC and CEOC to perform or fulfill any of their covenants or breach any of their representations and warranties under the agreements;
(ii) new construction and renovation of The Quad of up to 15% of amounts in excess of $223.1 million; and
(iii) certain other agreed upon matters.

Related Financing Agreement

As disclosed in greater detail in Note 8, "Debt," in May 2014, CGP LLC entered into a First Lien Credit Agreement providing for a $1,175.0 million term loan and a $150.0 million revolving facility, and completed the offering of $675.0 million aggregate principal amount of their 9.375% second-priority senior secured notes due May 2022.

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Note 6 — Property and Equipment, Net

(In millions)	June 30, 2014	December 31, 2013
Land and land improvements	$6,251.5	$6,266.8
Buildings, riverboats, and improvements	7,337.9	6,668.1
Furniture, fixtures, and equipment	2,412.4	2,297.7
Construction in progress	465.0	824.6
	16,466.8	16,057.2
Less: accumulated depreciation	(3,009.4)	(2,819.3)
	$13,457.4	$13,237.9

Depreciation expense is included in depreciation and amortization, corporate expense, and loss from discontinued operations, and was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2014	2013	2014	2013
Depreciation expense	$139.7	$142.8	$268.7	$306.4

Tangible Asset Impairments

We recorded tangible asset impairment charges of $66.8 million in the first quarter of 2014, as result of our decision to close Harrah's Tunica, which is included in loss from discontinued operations. We recorded tangible asset impairment charges totaling $101.7 million in the second quarter of 2013, related to our land holdings in Biloxi, Mississippi, and a real estate project in Atlantic City, New Jersey.

Note 7 — Goodwill and Other Intangible Assets

Changes in Carrying Value of Goodwill and other Intangible Assets

	Amortizing	Non-Amortizing Intangible Assets	
(In millions)	Intangible Assets	Goodwill	Other
Balance as of December 31, 2013	$730.0	$3,063.3	$2,757.7
Additions	49.9	14.1	—
Impairments	(1.9)	(15.3)	(42.7)
Amortization	(67.2)	—	—
Other	(7.8)	—	(3.5)
Balance as of June 30, 2014	$703.0	$3,062.1	$2,711.5

As a result of declining financial results in certain markets, we recorded impairment charges totaling $30.9 million in the first quarter of 2014, primarily related to gaming rights. In the second quarter of 2014, we recorded impairment charges of $15.3 million related to goodwill due to our decision to close a facility and $13.4 million related to trademarks due to lower than expected results. During the three and six months ended June 30, 2013, we recorded impairment charges related to certain gaming rights totaling $3.0 million and $23.0 million, respectively.

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

(Dollars in millions)	June 30, 2014 Weighted Average Remaining Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	December 31, 2013 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets							
Customer relationships	5.5	$1,265.2	$(690.1)	$575.1	$1,268.1	$(645.5)	$622.6
Contract rights	3.4	86.1	(81.2)	4.9	97.6	(79.4)	18.2
Developed technology	2.9	187.9	(92.3)	95.6	138.3	(76.5)	61.8
Gaming rights	10.0	42.8	(16.7)	26.1	42.8	(15.4)	27.4
Trademarks	0.5	3.8	(2.5)	1.3	—	—	—
		$1,585.8	$(882.8)	703.0	$1,546.8	$(816.8)	730.0
Non-amortizing intangible assets							
Gaming rights				1,131.0			1,159.5
Trademarks				1,580.5			1,598.2
				2,711.5			2,757.7
Total intangible assets other than goodwill				$3,414.5			$3,487.7

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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Note 8—Debt
The following table presents our outstanding debt from a consolidated viewpoint. Accordingly, debt owed between consolidated entities is eliminated, and thus, is not considered outstanding. Therefore, it is excluded from the table below. See footnotes 3 and 5 to this table for greater detail.

Detail of Debt (Dollars in millions)	Final Maturity	Rate(s)	Face Value	Book Value	Book Value
		June 30, 2014			December 31, 2013
CEOC Debt					
Credit Facilities[10]					
Term Loans B1 - B3 [1]	2015	5.25%	$29.0	$29.0	$29.0
Term Loan B4	2016	9.50%	955.0	945.0	948.1
Term Loan B5	2017	4.40% - 6.50%	991.9	989.6	989.3
Term Loan B6 [2]	2017	5.40% - 7.50%	2,431.9	2,403.2	2,399.9
Term Loan B7 [2]	2017	9.75%	1,750.0	1,736.9	—
Secured Debt					
Senior Secured Notes	2017	11.25%	2,095.0	2,069.8	2,066.4
Senior Secured Notes	2020	8.50%	1,250.0	1,250.0	1,250.0
Senior Secured Notes	2020	9.00%	3,000.0	2,957.3	2,954.5
Second-Priority Senior Secured Notes	2018	12.75%	750.0	744.5	743.9
Second-Priority Senior Secured Notes	2018	10.00%	4,502.1	2,513.7	2,433.2
Second-Priority Senior Secured Notes	2015	10.00%	189.9	169.8	187.7
Chester Downs Senior Secured Notes	2020	9.25%	330.0	330.0	330.0
Capitalized Lease Obligations	to 2017	various	14.6	14.6	14.7
Subsidiary-Guaranteed Debt [3]					
Senior Notes	2016	10.75%	478.6	478.6	478.6
Senior PIK Toggle Notes	2018	10.75%/11.50%	11.5	11.5	10.9
Unsecured Senior Debt					
5.625% [4]	2015	5.625%	364.4	340.3	328.3
6.5%	2016	6.50%	248.7	219.2	212.6
5.75%	2017	5.75%	147.9	118.5	115.0
Floating Rate Contingent Convertible Senior Notes	2024	0.24%	—	—	0.2
Other Unsecured Borrowings					
Special Improvement District Bonds	2037	5.30%	46.9	46.9	48.1
Other	2016 - 2021	0.00% - 6.00%	37.0	37.0	39.3
Total CEOC Debt [5]			19,624.4	17,405.4	15,579.7
CERP Debt					
Secured Debt					
CERP Senior Secured Loan [6]	2020	7.00%	2,487.5	2,440.3	2,449.7

CERP Revolver [6]	2018	8.25%	35.0	35.0	—
CERP First Lien Notes [6]	2020	8.00%	1,000.0	994.0	993.7
CERP Second Lien Notes [6]	2021	11.00%	1,150.0	1,141.2	1,140.8
Capitalized Lease Obligations	to 2017	various	12.3	12.3	5.4
Other Unsecured Borrowings					
Other	2016	0.00% - 6.00%	17.7	17.7	21.3
Total CERP Debt			4,702.5	4,640.5	4,610.9

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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Detail of Debt (continued) (Dollars in millions)	Final Maturity	Rate(s)	Face Value	Book Value	Book Value
		June 30, 2014			December 31, 2013
CGP LLC Debt [7]					
Secured Debt					
CGP Term Loan[9]	2021	6.25%	1,175.0	1,141.8	—
Second-Priority Senior Secured Notes [9]	2022	9.375%	675.0	660.1	—
PHW Las Vegas Senior Secured Loan		—	—	—	456.1
Baltimore Credit Facility	2020	8.25%	262.5	252.6	214.5
Bill's Gamblin' Hall & Saloon ("Bill's) Credit Facility[8]	2019	11.00%	185.0	180.0	179.8
Capitalized Lease Obligations	to 2016	various	4.7	4.7	2.1
Other Unsecured Borrowing					
Other	2014 - 2018	0.00% - 6.00%	58.0	56.7	57.6
Special Improvement District Bonds	2037	5.30%	14.5	14.5	14.8
Total CGP LLC Debt			2,374.7	2,310.4	924.9
Caesars Entertainment Other Unsecured Borrowing	2014	2.99%	1.5	1.5	—